

JL
Km 56/1
N49
0929

THE ECONOMIST

ESTABLISHED 1843

I. CXLV No. 5211

REGISTERED AS
A NEWSPAPER

JULY 10, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Germany's Frontiers - - -	33	France Impoverished - - -	46
The Ownership of Land - - -	35	Kaffir Shares - - - - -	50
Employment Policy—I - - -	36	Standardised Accountancy -	51

NOTES OF THE WEEK - - - - - 38

General Sikorski; The Polish Government; British Production; Food Policy; The Battle of the Salient; Abolitive Bill; Paying for Houses; The New Education; Pacific War; Scorza's Ten Points; The Committee at Work; Second Thoughts in Argentina; Communists in Conference; Rations for Pregnancy; Trial in India; Shorter Notes.

AMERICAN SURVEY - - - - - 43

War Industry in the North-West; Pay as You Go; Presidential Counter-Attack; Internecine Warfare.

THE WORLD OVERSEAS - - - - - 46

France Impoverished; The Irish Elections; Bolivia's Good Neighbour; Germany at War.

THE BUSINESS WORLD

BUSINESS NOTES - - - - - 53

The Circulation; Post-War Shipping; America's Place as a Shipowner; Pacific Gamble; Uniting the Francs; Fixing the Lira Rate; Treasury Deposit Receipts; National Union of Railwaymen; Weakness of Preference Shares; What is Revenue?; Canadian Holdings; Debate on Forestry; Aircraft Production; Workers' Incomes; Bowater-Lloyd Payments; Correction; Associated Portland Cement; Union Castle Mail Steam.

COMPANY MEETINGS - - - - - 58

RECORDS AND STATISTICS - - - - - 60

JL
Xm56, N43
N43.145

69297

Germany's Frontiers

IN this war, the United Nations appear to have avoided the practice which was a very severe embarrassment to the Allies of the last war—they have made no secret of their policy embodying territorial promises. Yet there is always the danger that policies and plans can gain, even in the course of discussion, such a hold on people's minds, and such a validity of their own, that they come to have the effectiveness of commitments. Whenever such a clear line of thought about post-war policy begins to emerge, it is essential to fit it into the general framework of the peace. Is it compatible with the kind of settlement the United Nations are fighting for? Will it hinder or help the establishment of a civilised international order?

One policy for post-war Europe has been gaining clarity and support in recent months. It is that the frontiers between Poland and Germany should be drastically redrawn. There is a minimum policy—that East Prussia should be permanently separated from Germany (but without any insistence on the form its future government should take). Thus, the Conservative Members Post-War Policy Group demands that:

East Prussia, as geographically and historically a separate entity from the rest of Germany, and as the headquarters of the Junkers, should not form part of Prussia or Germany.

There is a more drastic version that looks to the bodily incorporation of East Prussia in Poland. General Sikorski gave voice to this view a day or two before his death.

Then there are still more far-reaching claims made by different unofficial Polish groups as well as the Soviet-sponsored Union of Polish Patriots. They demand the incorporation, in Poland, not only of East Prussia, but of all Silesia. Finally, there have been claims from Polish and Soviet quarters that Poland's post-war frontiers with Germany should be set still farther west on the Oder. These maximum proposals can perhaps be ignored; but it is clearly the intention that some territory that was left to Germany at Versailles should, at the end of this war, be ceded to Poland.

These proposals cannot be judged in the abstract; they must be seen in the framework of the general principles of the settlement that is to come. What kind of peace do the United Nations want to make? There are only two feasible approaches to the ultimate problem. On the one hand, the United Nations may envisage a permanent assertion of force by themselves to keep the vanquished down—a policy that would impose upon the victors the material burden of maintaining huge armaments and armies of occupation for an indefinite period, the political burden of maintaining constant and permanent unity among themselves, never to be relaxed even for a year or two, and the moral burden of maintaining without lapse the conviction that a policy of inequality is right. The democratic peoples have, no doubt, learned a number of lessons in this war. But there is not the slightest sign that they have made the gigantic adjust-

ments in their whole outlook on the world that this would require. The only policy that has a chance of permanent success is thus one which looks forward to some future date when Germany will once more be accepted as a free and equal member of the society of nations, no more addicted to aggression than others. The date at which this happy consummation is expected may be put a long way off, and much may be done in the meantime to restrain and re-educate the German people—always subject to the proviso that no programme is entered upon which does not stand a chance of being carried out by virtue of its duration or of the burdens it imposes on the resources and single-mindedness of the victors.

It must be determined now, before emotions and interests have been mobilised behind it, whether the policy of transferring large sections of German occupied territory to Poland fits into the framework of a settlement that will be indefinitely upheld. There can be no doubts about the answer. The policy of transferring East Prussia, all Silesia and the territory east of the Oder to Poland cannot be justified on any ground, save that of reprisal. It is the first step in a policy of dismembering Germany—it is no coincidence that the Post-War Policy Group also demands that

The Rhineland, including Rhenish Westphalia, should be separated from the rest of Prussia and made an independent German State,

or that recent Russian broadcasts should have spoken of the Rhineland's historical and cultural unity with France. On the question of population, the policy entails one of three solutions: the handing over of a German minority, millions strong, to Polish rule; or the forcible expulsion of millions of Germans from land they have occupied for centuries; or massacre.

No one can deny that a policy of dismemberment is possible. If the Poles gain the full support of Soviet Russia for one or other of the solutions suggested above, then in the period immediately after the war they have a very good chance of securing their settlement. The difficulties inherent in a severe and vindictive peace do not arise at the time it is made—dismemberment of Germany will be easy and, possibly, for the moment, the popular solution. The difficulty is that of maintaining such a peace years afterwards when the passions of war have died away among the victors, but are kept alive among the vanquished by their sense of outrage. Then the vengeance of the settlement will be the Germans' best weapon against it. The British and the American peoples will lack that passionate conviction of rightness which will alone induce them to shoulder the burdens of enforcement. They will be weak and hesitant before an outraged and resurgent Germany.

Many Poles and probably many other European peoples may be inclined to argue that, provided the policy is vengeful enough—*delenda est Carthago*—there will be no chance for Germany to rise again, and that therefore the question of whether or not Britain would appease a resurrected Germany is academic. But is this conceivable? Germany is not a single city. The systematic massacre of ten million Germans—can even that figure be envisaged?—would leave sixty million more. Is it likely that these sixty millions would never in the future seek to throw off the settlement that had dismembered them? If the Poles could keep alive their sense of national unity through a century of total control and perpetual persecution, do they suppose that the Germans would do less? And if not, then the time would come when once again the question of using force to maintain the peace settlement would arise and the troubled conscience of Britain and the United States would inhibit them from action. The Poles may, of course, be looking only to Russia for Great Power support. Yet the policy advocated is not compatible with Marshal Stalin's statements on Russia's attitude towards Germany nor with the general terms of the Atlantic Charter. Nor have the Poles a tradition of seeking Russian support.

The difficulty about the alternative line of policy—a peace, not without its initial severity, but of a nature

that Germany can eventually be expected to accept—is that in the first place it seems much more difficult to secure and involves a much less "tidy" solution; in the second, it is thought to have been tried in 1919 and to have failed. In territories where the races are as inter-mixed as Eastern Europe it is tempting to solve the problem by wholesale transfers of population. Transfer has taken place on so vast a scale in the last few years that people are tending to forget what a ghastly and inhuman process it is. The analogy of the Greco-Turkish exchange of populations is often used to justify mass deportations. It was a political success; but it involved massive human misery. And, in any case, it is no precedent for what is proposed in respect of East Prussia. The Greco-Turkish exchange was a genuine exchange; it was administered internationally; it took over a decade to accomplish; it was liberally conceived and supported by an international loan. If transfers of population are to be used to "clean up" Germany's frontiers after this war, the conditions must approach those under which the Greco-Turkish exchange took place. For example, it might be possible to exchange the eastern part of East Prussia against the Polish Corridor—but the chances of Poland even considering this are negligible. Such exchanges should be as limited as possible, and as well financed as possible and undertaken over a period of years. Above all, they should come into consideration only in the last resort; and there should be no forcible removal of people—Pole or German—who are prepared genuinely to accept the authority which will afterwards govern their land. Unless a large measure of national self-determination is incorporated in the settlement and policies incompatible with it are accepted only for exceptional reasons in very exceptional cases, then there is little chance of a settlement that the peoples of the West will ultimately fight to maintain. And their willingness to fight to maintain the peace is the real condition of security.

This is the fact which is forgotten by those who argue that the policy of reconciliation was tried last time and failed, and that therefore the peace must this time be a savage one. The trouble about the Versailles Treaty, and the League system which it established, was not so much the terms of the settlement as the lack of will among the victors to enforce it. So long as it functioned with prestige and vigour—between 1924 and 1929—the Germans were ready, if not eager, to make it work. Nor was it they who broke it. The Nazis found it broken, economically through the Great Depression, politically through the Manchurian incident. Even after 1933, it would still have been possible to hold the Germans down, if the first breach of the treaty—rearmament—had been met with war. It was not met by war because the British people were morally uncertain—had they not also promised to disarm? Then, was it not intolerable to keep the German army off German soil in the Rhineland? Then, did not Austria after all want the Anschluss? Each weakness sprang from conscience trouble. Yet those who support a vindictive peace now expect the British in ten years' time to be tough about a treaty which will play ten times the havoc with their moral sense. The experience of Versailles would lead more logically to the conclusion that the new treaty should be still less vindictive if it is to be enforced in the long run.

The plea for a just peace is not part of any desire to "let the Germans off." It is based on the knowledge that since no settlement based on repression of Germany will last without force behind it, only a "lenient" peace has any chance of enduring. The deserts of the Germans hardly enter into the argument at all—except as they will bear upon the future willingness of the British and American peoples to put their strength behind the maintenance of the settlement. If dismemberment, mass transfers of population, massacre, the permanent oppression of minorities are to be part of the settlement this time, let it be plain from the start that neither Britain nor America will in ten years from the signing of

The Ownership of Land

THE question of the ownership of land has returned to the forefront of political discussion. This is not surprising, because every project for the improvement of the life and work of the people of this country comes back at some remove to the land, which is the scene of every activity and is limited in extent. Full employment means making the most productive use of all the nation's resources, including the land. Better use of the land is demanded for the rebuilding of bombed or debased towns, for the preservation of efficient farming and for the siting of manufactures to suit social as well as economic needs. The re-equipment of industry and transport in the immediate post-war period is only possible if the right land is available in the right places.

For the moment, the discussion is focused on re-housing. The only certain item in the Government's reconstruction programme is a ten-year building plan to erect, among other things, more than four million houses. Before the war, a distressingly large part of the population was overcrowded or underhoused. During the war, while building has ceased, overcrowding has grown with evacuation and bombing. After the war, the demand for decent standards of housing will be immensely strong. After the last war, there was a similar need, a similar demand and a similar programme. Great numbers of houses were built, but, too often, they were the wrong houses in the wrong places at the wrong rents.

These were the hopes and fears that excited the Conference, largely of representatives of local authorities, which was organised last weekend in London by the Town and Country Planning Association. Another housing crusade is clearly in the making; but the apprehension that the houses may be too costly or that vested interests may stand in the way of their proper design and distribution evidently goes very deep. Obviously, this is not simply a question of land use or land ownership. The size and nature of the post-war building programme depends in the first place on considerations of national economy, on the proportion of the nation's resources that can be devoted, against other claims, to building. It is also a question of industrial efficiency. Within the limits of the resources allotted, the cost of housing, in both real and money terms, will depend upon the efficiency of the building trades, that is, upon their output per worker. Finally, the fate of the building programme depends upon state policy. Is there to be planning? Is the Government to act upon the proposals of the Barlow Commission in order to prevent the congestion of cities and the depression of industrial areas by controlling the location of industry and by fostering the decentralisation of town life? Are the

Scott Committee's proposals for the preservation of rural Britain and the protection of farming to be accepted?

Yet, whatever policy is adopted, the use of the land will be the crucial factor in its application.

Our present problems of the ownership and control of land are surely very close to those of the roads 100 years ago. Shall we attempt to make individual ownership compatible with public service by a system of rules and regulations and planning bodies? Shall we piously hope that, where necessary, communal ownership will be developed, not by the state as representing the community, but by the communal spirit of individuals outside the machinery of state, embodied, for example, in the National Trust? Or shall we encourage the state to act as organiser of this communal service?

These words of Mr. Austin Robinson, in the April issue of *The Economic Journal*, state the problem. It is not the vice or malice of landowners that puts their property in question, but their peculiar position at a crucial bottleneck in public policy. As was said in the Uthwatt Report,

Fundamentally, the problem arises from the existing legal position with regard to the use of land, which attempts to preserve, in a highly developed economy, a purely individualistic approach to land ownership.

An attempt was made between the two wars to make private land ownership "compatible with public service" by local planning, local compensation and local purchase. It was a negative policy; the local authorities attempted to prevent bad uses of land, but they had no power to command good uses. And it failed; this was the gist of the findings of the Barlow Commission. Local regulation was ineffective because local finance was inadequate to meet claims for the compensation of landowners, which included over wide areas large prospective development values. Much land was scheduled for planning. Little was actually planned, even negatively, and the use of land was left to the processes of dealing and to the cumulative pull of town markets and urban concentration. Pelion was piled upon Ossa. The Barlow Commission proposed a solution: that there should be a positive policy to encourage the best use of land; that there should be a central planning authority to apply it; and that some means should be discovered of overcoming the obstacle of compensation. The expert Uthwatt Committee was appointed to find a way out of the compensation dilemma. It suggested the global purchase of development rights in rural land; the *ad hoc* purchase of "reconstruction areas" in towns and cities; and a levy in urban areas on values enhanced by public policies.

The Barlow proposals have been approved by the Government in general terms. A Ministry of Planning has been established. No plan or policy has yet been



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

made, though the presumption is that it is now intended to plan the use of land in a positive way. The knot of compensation has yet to be cut. No action has been taken (apart from the prevention of interim development) on the Uthwatt recommendations. In short, the Government has not yet been able to make up its mind to face the large and drastic measures that are plainly needed if the solution of the problem is to be thorough. The problem can be simply stated. If there is to be a positive plan, there must be public control over the areas affected, and the need to compensate private owners one by one for the restrictions that planning may place upon their property rights must not be an impediment to planning. If the plan is to be national, control must be nation-wide; possession is at least nine points of the law in planning. The question arises whether the drastic solution is not, in the end, the simplest—that is, whether the ownership of land should not be vested in the community. If nationalisation is ruled out, then the somewhat complex Uthwatt proposals are by far the best solution produced so far. But should nationalisation be ruled out? The Uthwatt proposals are, admittedly, an attempt at a compromise. The Committee was presented with the compensation problem as “a matter of urgency,” and rejected nationalisation because of the time it would take to carry through a national valuation and because of its great political and administrative difficulty. As the months pass, these grounds for compromise plainly become less and less substantial. The Uthwatt proposals have not in fact been dealt with as a matter of urgency, nor have they proved politically or administratively easy. Moreover, the Uthwatt solution is only partial. It regards the problem too exclusively as one of preventing the wrong development of rural land. The problems of urban and industrial areas, of the opening out of cities and the decentralisation of industry and town life are by no means solved. Despite the excellence of the Uthwatt Report and the shrewdness of its proposals, the case for nationalisation stands.

Indeed, the case for nationalisation has gained in strength by the difficulty the Government has experienced in applying the Uthwatt proposals. As Lord Samuel suggested a few weeks ago, failure to implement the Uthwatt Report promptly has made it certain that nationalisation will be a central issue in post-war politics. There is, however, no reason why policy should wait upon

controversy. It is argued against nationalisation that it would be too vast an operation and that it would involve the state in bureaucratic estate management. Neither of these criticisms need hold. The essential requirement is to vest actual possession of the land in the community when, and only when, development or re-development is imminent. It would be neither necessary nor wise to take over all the land at once. What seems called for, as *The Economist* urged some eighteen months ago, is an Act declaring the Government's intention to purchase all property rights in land as and when it becomes needful, and pegging all land values (with allowance for improvements and for changes in the value of money) at a set date. Then properties could be purchased *ad hoc* to permit their development or re-development according to the national plan, while those not so bought might perhaps revert to public ownership, by purchase, on the expiry of leases. Similarly, it would be unnecessary and unwise for the state to enter itself upon wholesale estate management. Land bought for the nation should, for the most part, be neither developed nor managed by the Government. It should be developed by private or public enterprise according to the needs of the plan; and it should be managed by bodies of public trustees with the same outlook and objectives as the best of the perpetual corporations which have played so notable a part, throughout the centuries, in British land management—“by the communal spirit of individuals outside the machinery of state.”

This is an issue that should be regarded without political passion or prejudice. There is no virtue in nationalisation for its own sake. For its own sake, indeed, it would be vicious. But it is a means that should not be excluded from public policy. It seems plain that, if there is to be a plan to make the best use of the land in the interests of the community as a whole, the rights and claims of private owners must be bought out. The Uthwatt proposals go only half way to the solution which the logic of the Uthwatt Report shows to be necessary. Halfway house might perhaps have been acceptable if it had been built with the utmost speed. But the time has been lost; and there seems no reason to be satisfied with a makeshift solution when it will be very little, if at all, more difficult and vastly more effective to accept and act upon the full implications of the fact that national planning of the land requires national ownership.

Employment Policy—I

STEADY progress is being made with the urgent task of working out, by public discussion, the main outlines of a practical policy for securing reasonably full employment after the war. Many of those whose contributions to this discussion would normally be most valuable are, for the present, silenced, though it is to be hoped that at least some of them are hard at work on the problem within the Government machine. But there are enough whose lips are unsealed to provide a discussion of surprisingly large volume and high quality. Three recent pamphlets in particular deserve the attention of the public, both for their agreements and for their disagreements.* To attempt a detailed critique of these documents would require too much space, and it must be enough to say that they broadly represent the main trends of opinion. The first, the report issued by Lever Brothers and Unilever Ltd., has the advantage of being the views of a single firm and, perhaps, the product of a single pen. As might be expected, it is the least radical of the three reports in the changes in industrial structure

* “The Problem of Unemployment.” Published by Lever Brothers and Unilever Ltd. 38 pages. “Employment for All,” *Planning*, No. 206. Published by P.E.P. 31 pages. “Employment Policy and Organisation of Industry after the War.” Published for Nuffield College by the Oxford University Press. 70 pages. 2s. net.

that it advocates—though some of the views it contains, especially upon the industrial responsibilities of the state, would be accounted very radical by large numbers of business men. The second, a broadsheet issued by P.E.P., is, like all that organisation's work, thoughtful and well-documented; unlike the P.E.P. publications in the past, it takes up what is now the orthodox Socialist standpoint. Thirdly, there is the “Statement” published as the result of a number of conferences of economists, business men and Civil Servants at Nuffield College. Like all committee documents, this report is an attempt to state the highest common factor of agreement among divergent views. It also deals with industrial organisation more amply than with full employment and (again like most committee documents) spends vastly more space on describing the Boards, Ministries, Committees and other mechanisms that are recommended than on saying what they are to do. For these reasons, the Nuffield report, which had been eagerly awaited, makes a disappointingly jejune and old-fashioned impression. The elements of a policy are there, but it requires considerable excavation in some places, and even more reading between the lines in others, to arrive at them.

What is important, however, is not to award prizes in a competition but to record what can be accepted as common ground and to isolate for further discussion the

standing points of disagreement. One surprising point of agreement—if these three documents can be taken as a guide—is the unimportance of the international aspect of full employment policies. The Unilever report, it is true, has a section entitled “International Aspect of the Trade Cycle,” but it is very largely concerned with methods of stabilising the prices of raw materials—an important subject, indeed, but considerably smaller than the title under which it is placed. The other two documents defer the subject for discussion on some other occasion. It is a little alarming to find that it is precisely this important section of the problem that has, in each case, been put at the bottom of the priority list. There are, it is true, much greater possibilities of independent action than in the old gold standard days, but it is very questionable indeed whether the international repercussions of a full employment policy, or the limitations imposed on such a policy by international considerations, can be quite so cavalierly treated.

On the main outline of the economic analysis of the causes of trade fluctuations there is now almost unanimous agreement. The main cause is to be found in what, with some sacrifice of economic purism, can be called the periodic divergences between Savings and Investment. There is agreement, too, on the remedy. If the trouble arises because the community is, in loose language, not spending the whole of its income, the remedy should be, equally loosely, to spend more. Moreover, since these divergences arise from the unco-ordinated actions of individuals—the Investors spending less than is being retained by the Savers—only the central authority of the state will avail to achieve the necessary balance. The financial operations of the Government should therefore not be confined to the raising of revenue to meet its own expenditure, but should have the additional object of ensuring that the total flow of expenditure by the whole community is stabilised at a high figure. And, as a symbol of this new approach to Government finance, there should be two Budgets, one to cover the normal operations of the Government, the other to cover its stabilising activities. All this is now accepted doctrine. There is nothing in it that is very novel—the basic theory goes back to Lord Keynes's “Treatise on Money” of 1930, and many of the implications for public policy were drawn in the Liberal Yellow Book of 1927—but it is very new to have got this body of doctrine agreed by all but a fraction of responsible opinion.

There is a further substantial point of agreement between all three of the present reports. A sound and stable economy, it is agreed, cannot be achieved merely by regulatory action at the centre. It requires also a general willingness to make the economy flexible and to remove all obstructions to the free movement both of capital and labour. The passages in which this requirement is set out are, perhaps understandably, rather vague, and this is one of the departments of economic policy on which detailed work of exploration needs to be done. The three great objects of economic policy, as has often been said, are to increase the national income, to make its flow regular, and to improve its distribution. The Beveridge Plan is at least an approach to the third object, and a Full Employment policy would be designed to meet the second. The first object is no less essential, and it is time that minds began to be turned to the outline of a Productivity policy, of which the provisions for flexibility would be a very large segment.

These points of agreement on the essentials of a Full Employment policy are substantial and important. But the points of disagreement are hardly less so. One of these relates to the proper place to be ascribed, both in the causation of trade depression and in its cure, to consumption and to capital investment. The P.E.P. document takes the consumptionist view.

Underinvestment is largely the result of underconsumption. How then can consumption be increased? This is the vital question. An appropriate policy to raise consumption should, therefore, be the first front of attack on unemployment.

The Unilever report takes the precisely opposite position.

Underconsumption is in reality a consequence of the interruption of productive activity caused by the trade cycle and therefore a symptom rather than a cause of the depression.

Some sorting out of ideas seems here to be necessary. It is perfectly clear, in the first place, that a level of consumption which, from year to year, on the average, is low does not give rise to unemployment. It is the rich countries, not the poor ones, that suffer from the deepest depressions and the severest unemployment. When P.E.P. says that underconsumption is the cause of unemployment, it must mean by underconsumption the sudden periodic dips in a level that is high on the average. It is a truism that, in time of depression, the declining consumption of the public adds to the volume of unemployment. But the public does not reduce its consumption because it has a sudden fit of asceticism; it is compelled to do so because its income is falling; and the cause of the fall in income is to be found in the failure of capital investment to absorb the total of savings. There cannot be very much doubt that Unilever is right and P.E.P. is wrong in the analysis of the cause of depressions.

It does not necessarily follow that the cure should follow the analysis of cause. The depression is caused by the inequality of two magnitudes, and it can, in theory, be cured as well by a reduction of saving as by a rise in capital investment. A reduction in savings is, of course, the same thing as a rise in consumption. It may be, for example, that there is a shortage of productive or desirable capital projects. Indeed, it has been suggested that this is the chronic situation of Great Britain in the modern age—that there is no satisfactory means of investing the savings of the British people, and that they will consequently be well advised to consume a higher proportion of their total output and to save less. This argument should certainly not be uncritically accepted. It would involve an assumption that the age of expansion was coming to an end and that the British standard of living could no longer expect to increase as rapidly as that of other younger and still capital thirsty countries. Paradoxically, it is the P.E.P. Report which make the strongest case against accepting this somewhat defeatist view. But only if it is accepted is it necessary, from the Full Employment standpoint, to try to persuade the public, by redistribution of income or by subsidies in aid of consumption, to reduce their rate of saving. (These things may still, of course, be justifiable on other grounds.)

It is thus doubtful whether, even in the long run, it can properly be argued that an increase in the proportion that consumption bears to total output would be the best way of avoiding unemployment. In the short run, as a method of tackling any particular trade cycle, there are additional practical objections to a consumption policy. Any balancing weapon must be one that is capable of being reversed when occasion requires; the tap must turn on and off. But if subsidies to consumption are once given, they can hardly be withdrawn or diminished. Secondly, a policy of giving direct subsidies to the consumption of the people would open up most uninviting prospects of political demoralisation beside which the opportunities for improper influence in diverting the flow of an investment policy would be tiny in comparison. And lastly, if democratic principles have any economic meaning, it is surely better that the state's policies should be founded on an attempt to execute the wishes of the public, as between consumption and investment, than to frustrate them.

In this dispute between the consumptionists and the investment party, the verdict must therefore go to the latter, though on practical and political rather than on theoretical economic grounds. It is by influencing the volume of capital investment that the state can best carry out its Full Employment policy. Does this require substantial intervention by the state in the ownership or management of industry? Or can it be done by an indirect system of incentives and hindrances? This is the second main point of disagreement, which will be discussed in a concluding article.

NOTES OF THE WEEK

General Sikorski

With the tragic death of General Sikorski, an outstanding Allied statesman and soldier has been lost. General Sikorski started his political career some years before the last war as an organiser of military bodies in the struggle for Poland's independence. The independence of Poland remained his life aim. After the German invasion in 1939, he went to France to organise the remnants of the Polish army into a new fighting force; and after the collapse of France, he moved on to Britain with his troops, there to continue the struggle. He never believed for an instant that Britain would be defeated. Among the Allied statesmen who have been brought by the war to London, General Sikorski was the only Prime Minister who had held office continually since 1939, and he had come to be regarded as the living symbol of the continuity of the Polish state. To his countrymen in Poland itself, he was the flag bearer of their struggle and the embodiment of their hope. In exile, his remarkable achievement was to base his Government on a genuine coalition of all the Polish parties, from Right to Left, which had opposed the dictatorship of Pilsudski and Rydz Smigly; and he maintained this coalition intact during the many crises to which Polish policy in exile has been exposed. His death will be acutely felt in the sphere of Poland's foreign relations. General Sikorski's desire for a reconciliation with Poland's eastern neighbour, Russia, was genuine and sincere. For many years before the outbreak of war, he advocated a policy of collective security and of alliance with both the Western democracies and the Soviet Union. In his military writings, he gave not only a correct forecast of the strategy and tactics of the Second World War but also a correct appreciation of the military potential of Russia and the fighting capacity of the Red Army. The rupture of Soviet-Polish relations was a grievous and bitter blow which sorely troubled his last days.

* * *

The Polish Government

The death of General Sikorski will cause a reconstruction of the Polish Government. The present acting Prime Minister, M. Mikolajczyk, who speaks on behalf of the Peasant Party, the most influential group in Polish politics, is almost certain to be confirmed as his successor. He is a man of the centre and may be able to keep the Sikorski coalition intact. The Government is to be strengthened by the inclusion of new Ministers from among the Peasants and the Socialists, which will give a more democratic aspect to Polish policy and underline its essentially civilian character. It is possible that the Ministry of Foreign Affairs may now be taken over by the last Polish Ambassador to Moscow, M. Romer, an appointment which would stress the importance that the new Government, like General Sikorski, attaches to an honourable resumption of relations with Russia. M. Romer was the only Polish politician to discuss this problem with General Sikorski a few days ago, when the Polish Prime Minister received a letter about it from President Roosevelt. An interesting suggestion is that a Ministry of Polish Minorities should be set up in the new Government. National minorities accounted for over one-third of Poland's pre-war population, and the creation of such a Ministry would be an encouraging sign that a serious attempt is at last to be made to tackle the minority problem. The most difficult and the most controversial point in the reconstruction is the post of Commander-in-Chief, which General Sikorski held together with the post of Prime Minister. The candidate suggested in some quarters is General Sosnkowski, known for his opposition to the Polish-Soviet Treaty of 1941. It is an unfortunate fact that in the Polish Army in exile, overstuffed as it is with officers, the Pilsudskists, who in Poland itself form only a small and compromised group, exert a disproportionately large influence; and it would be disastrous if the policy of the Polish Government were to be exposed to the pressure of a military junta, especially if the post of Commander-in-Chief were used for this purpose. Actually there is no compelling constitutional reason for the appointment of a new Commander-in-Chief, and if the appointment raises political issues which may further complicate the dispute between Poland and Russia, there seems no reason why it should be insisted upon.

British Production

Mr Lyttelton's broadcast last week-end had the double purpose of giving some indication of the achievements of the British munitions industry and of explaining once again that reduced activity in some lines of production was only part of a programme which, as a whole, was still expanding. This latter point was also illustrated in a speech made on the same day by the Parliamentary Secretary to the Ministry of Works, who revealed that the ordnance factory building programme is now finished. Great Britain, in fact, is now reaching a stage that was never attained in the last war. The phase of building the factories is finished, and the phase of providing the capital equipment of an enormously expanded army is nearing completion. From the first source the release of resources is complete; from the second source it is very large, since the task of maintaining an army that is no longer expanding and has all its equipment is very much smaller than that of equipping and expanding it at the same time. In the first part of his speech, Mr Lyttelton was, quite properly, less than perfectly explicit. Nevertheless, the figures he gave help to fill out the picture of the truly astonishing achievements of British industry and labour. In the last war the country's total output of civil and military goods together fell; this time it has risen, in spite of the mobilisation into the armed forces of a number of men and women who cannot fall much short of a quarter of the total labour force. This production has, of course, been accomplished only by the most complete mobilisation of manpower; Mr Lyttelton stated that 90 per cent of the 3,250,000 unmarried women between 18 and 40 are now engaged in full-time war work, in the armed forces, in civil defence and in industry; 500,000 workers have been released by clothes rationing and 250,000 by the concentration of industry. Moreover, British output has been supplemented by Lend-Lease deliveries, which in finished weapons, in ships and in components will this year be the equivalent of 1,500,000 additional workers. Against this there is British aid to the United States and Russia, which, Mr Lyttelton said, amounted (though not presumably in munitions alone) to a high proportion of the aid received. These facts are glimpses into the very impressive record that will one day be unfolded.

Food Policy

It is welcome news, though not surprising, that (as Lord Woolton announced on Tuesday in the House of Lords, and Mr Eden in the Commons) the British Government accepts the resolutions of the recent Food Conference at Hot Springs, Virginia, and recognises the obligation to give effect to them. It is welcome because the resolutions, directed to the task of feeding the world's peoples amply and suitably by means of expanded output, efficient farming, the international division of labour, easy international exchange and the raising of consumption level in every country, were sound and shrewd. It is not surprising because the decisions of the Conference were very largely in agreement with the "body of coherent and constructive ideas, based on no narrow interpretation of British interests" with which, as the Minister of Food pointed out on Tuesday, the British delegates to the Conference were equipped. It is incidentally imperative that the British representation on the permanent international organisation proposed by the Conference should be equally as expert and as authoritative as the delegation to Hot Springs. The complaint of Lords de la Warr and Beaverbrook that the upshot of the Conference has been further discussion instead of action is natural—but hardly fair. In its composition and terms of reference, the Conference was purely advisory; it did not, and could not, possess any executive authority. But the call for action stands. In the short term, there is need for the utmost concerted output of food and the continued "co-ordination of the procurement of food supplies" in order to feed stricken nations in order of their need. In the longer term there is need for a pattern of world agriculture that will make the most of the world's resources by the exchange of produce and the concentration of each country's efforts on growing the crops for which they are best suited. The British Government, say Lord Woolton and Mr Eden, recognises its obligations. The best test of this in practice will be the post-war agricultural policy produced by Mr Hudson.

The Battle of the Salients

After the long lull on the Russian front, the past week has seen heavy fighting along the two salients of Orel and Kursk. The curious feature of the battle is that neither the Germans nor the Russians admit having started an offensive. This may well be true in so far as neither side regards the clash as the prelude to a large-scale operation which would extend to the whole central front. It is most likely that the purpose of the present fighting is merely to "straighten the line." The German-held salient of Orel is a thorn in the Russian front, and the Russian wedge around Kursk presents a potential danger to the Germans. Both sides have for some time been concentrating heavy forces on the flanks of the two salients; the fighting has been very violent on both sides, and it may be expected to become even more so. The Germans have so far gained some slight initial successes on the northern fringe of the battlefield; and the Russians have reported heavy losses inflicted on the enemy's tanks. The tactical strength of the Russian anti-tank defences is an established fact, though the extent of the actual damage inflicted on the attackers may be uncertain. The battle of the two salients may acquire much more importance than is attached to purely local operations. This is the first test of forces since the great winter battles, and the results of the test may well influence the further course of the fighting. Should the present phase reveal some major weaknesses on the one side or the other, the fighting—though probably planned on a local scale only—may even yet develop into a more ambitious operation.

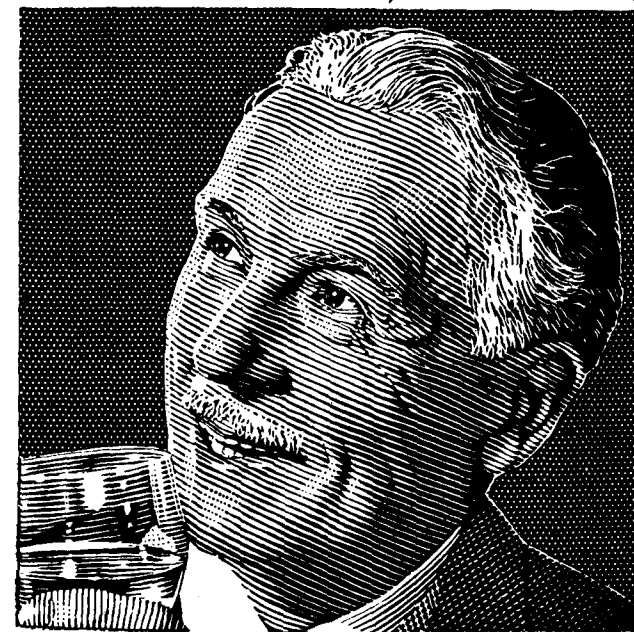
* * *

An Abortive Bill

It was incorrectly stated in *The Economist* last week (page 9) that the Pensions Appeal Tribunal Bill was withdrawn for redrafting when an amendment in favour of giving every applicant for a pension the benefit of the doubt was on the point of being carried against the Government. Actually, this amendment, like many others on which members had very strong views, was not discussed. Only one amendment had been debated, when Mr Eden moved "to report progress," and this was one which, in the words of its mover, was "a comparatively minor amendment," not fundamental to the Bill. The first clause of the Bill, dealing with the rights of members of the armed forces to appeal against decisions of the Minister of Pensions, specified that claimants should have the right to appeal where any claim was rejected on the ground that the cause of disablement was not directly attributable to military service, or was not materially aggravated by such service. It was said that these latter words, defining the right of appeal, either meant nothing at all, or else were intended to limit the right to appeal, and the amendment proposed that they should be omitted. This would give a general right of appeal to all applicants whose claims had been rejected, and the grounds of rejection would not enter into the matter at all. Possibly the words complained of were unnecessary to a non-legal mind. But since, under the present Royal Warrant, a pension can be granted only if the disablement is directly attributable to military service or materially aggravated by it, it follows that the Ministry of Pensions, when it rejects a claim, does so on the ground that it does not satisfy either of these conditions. Consequently, though the words which were the subject of the amendment apparently limited the right of appeal, in practice they would only have excluded frivolous cases. (It is true that the Ministry can reject claims on the ground of serious negligence or misconduct, but the right to appeal in these cases was granted in another clause.) A better reason for omitting the words is that as they were part of the present Royal Warrant, the Bill would have been made out of date if the Royal Warrant were amended in respect of "attributability" and "material aggravation." This contingency was, however, provided for by a clause giving the Minister power to amend the relevant clauses of the Bill to bring them into line with the new Royal Warrant. But the House determined otherwise, and when the Bill is reintroduced, it will have been drafted to include any amendments that may be made in the Royal Warrant. Sir Walter Womersley's statement is expected about the middle of this month, so that Parliament will have only a short time to debate it, and carry through the new Tribunals Bill, before the summer recess. It will be a great pity if, as a result, the tribunals are not in operation, as was originally intended, by early September.

Paying for Houses

Of the speeches made last week-end at the Town and Country Planning Association's Conference (which is referred to in an article on page 35), Mr Manning Dacey's address on housing finance attracted most notice. The delegates to the Conference, local officials, private builders and simple dwellers in houses alike, were most perturbed about the prospect of dear housing after the war. Building costs are now, according to Lord Portal, more than twice what they were before the war. One large-scale builder who spoke at the Conference was sure that post-war costs will be equally high, even if the general level of prices shows no corresponding increase. Mr T. P. Bennett, of the Ministry of Works and Building, pointing to the guaranteed pay week that is expected for building operatives after the war and to the difficulty of restoring the skill of builders demobilised from the Forces, could not envisage post-war costs any lower than sixty per cent above pre-war costs—at the very least. These were sobering, not to say depressing, views. Of the immediate post-war period, when the economic stringency of wartime will in large part persist, they may well be true forecasts. But, if they are also true of the longer period when peace economy will have been restored, they flatly deny the hopes of those who believe that, in peacetime conditions, the output per head in building could be very much increased; and they raise in an acute form the problem of post-war housing finance. It can be assumed, as Mr Dacey argued, that the financial environment will, under Government direction, be more favourable than after the last war. The intention to hold the general price level steady has been declared. Resources will be allocated according to priorities so long as they are scarce and so long as particular needs command special priority. Cheap money will be preserved by the devices employed in the years before the war, and interest rates are obviously of great importance in the finance of housing. But the problem will not be solved by these general circumstances. Costs, even if the worst is not to be believed, will have risen more than the incomes of those who most need housing, and the necessity for subsidies will be correspondingly great. Various suggestions were made at the Conference for alternative methods of assistance, for tax remis-



"Here's Luck!"

What does the connoisseur ask for in his whisky? He asks for a delicate bouquet, a velvet softness and a genial afterglow—in fact he, asks for

WHITE HORSE

MAXIMUM PRICES: Bottles 25/9;—Half-Bottles 13/6

sions, cheap capital and the stabilisation of building material prices. But, as Mr Dacey rightly said, all these devices have the defect of being proportionate to the value of the houses built, and therefore of giving most aid where it is least needed. The demand after the war will be particularly for small and low-cost dwellings. Moreover, in any department of finance, subsidies outright are to be preferred to disguised subsidies. It is therefore impossible to disagree, if the future aim is to be—as it should be—to build the largest possible number of small houses in the shortest possible time, with Mr Dacey's claim that the best form of subsidy will be one at a flat rate, offered both to local authorities and private builders. Whether building should be done by public or private enterprise must depend, not on doctrine, but on the degree of real enterprise and efficiency that is shown in practice. Between the wars, private building provided three-fifths of the houses built. As Mr Dacey pointed out, the ability of local authorities to borrow at virtual Government rates and to spread re-payment over forty years or more should have enabled them to build houses at lower rents than private builders. In practice, over the whole field, private builders mostly showed better results—and not always because of jerry-building.

The New Education

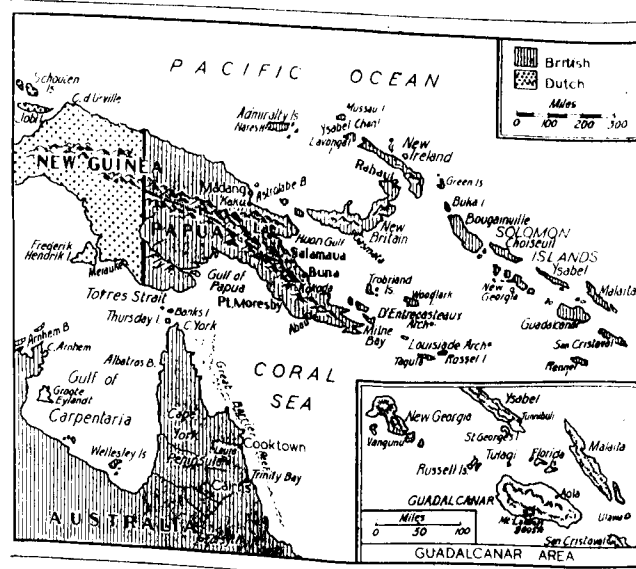
In a recent speech, Mr R. A. Butler, President of the Board of Education, called for more public discussion of educational problems. He said that there should be "more education about education." Perhaps Mr Butler will consider taking the lead in this valuable work. The fact that discussion of the promised educational reforms has so far been mainly in private is very largely his fault—or rather that of his Department. Too much of the necessary preliminary discussion of the coming Bill has been behind the scenes. The Bill itself has been too long a secret. It is a good thing that a White Paper is now to be issued; but a bad thing that the promised Bill has apparently been postponed until the autumn. Education is peculiarly a subject that lends itself to broad and admirable generalisations, which for a time create a widespread impression that something new and excellent is about to emerge. The same thing happened twenty-five years ago. Even the Bill will only be a first step. The failure of a large part of the programme embodied in the Fisher Act of 1918 is a warning of the wide gap even between policy and performance. As in so many other spheres—public health, housing, and the rest—the same precepts are being sworn to as were sworn to at the end of the last war; the same old problems are being solemnly canvassed by committees and eminent men. Practice is the test. This time there must be effective action or else it will be definitely demonstrated as a characteristic of British democracy in its moments of greatest exaltation that words—and expert inquiries—are accepted as a substitute for deeds. It is surely plain enough by now what is wanted in education: elementary schools fit to learn and teach in, and with classes small enough for teachers to teach; teachers with the ability, the desire, the remuneration, the status and the self-esteem to do their jobs properly at every stage in the educational process; higher schools of sufficient independence and variety to cater for all talents and inclinations; technical colleges with the equipment and the personnel to fashion the skills that British commerce, industry and agriculture will urgently need; and universities which are in a position to put their special educational aims before considerations of finance, staffing and apparatus.

The bottlenecks in the present system are largely due to the social snobbery that is so unfortunate an adjunct of British democracy. It is this snobbery that creates, not only a fantastically narrow avenue to positions of responsibility in the community, but also a damaging sense of inferiority in most branches of the educational system below the highest and most esteemed. There are too many elementary school teachers who are disappointed because they are not teaching in secondary schools; too many secondary school teachers who are disappointed because they are not teaching in colleges; too many technical college teachers who are disappointed because they are not in universities; too many teachers in provincial universities who are disappointed because they are not at Oxford or Cambridge; and so on. In part, the problem of making each branch of teaching seem worth while in itself, and so of attracting the best talents and the best will, can be

solved by the Committee which is now sitting on the Training of Teachers. But at bottom, it can be solved only in two ways: by giving every child an equal opportunity to learn; and by giving every school and college an equal opportunity to teach.

Pacific War

It is a long way from Chungking to Rendova Island; but as the Chinese enter the seventh year of their war with Japan, they are gaining a little comfort from General MacArthur's new offensive in the Pacific. The enemy they have withstood so long alone is at least being attacked by others on another front. The skies above China are more peaceful for the phenomenal losses sustained by the Japanese air force in the South-West Pacific. The strain of maintaining armies of occupation in China—and indeed throughout the South Seas—grows steadily greater as the sinking of Japanese ships exceeds Japan's capacity for adequate replacement. Nevertheless, it is much too early to maintain, as some enthusiastic commentators are maintaining, that this new offensive in the South-West Pacific is the first step in a grand chain of reconquest. Its aim appears to be strictly limited: to push back a little further the Japanese forward posts which threaten Australia. At the moment there are four of these sea and air bases, Munda in New Georgia Island in the Solomons Group, Salamaua and Lae in New Guinea, Rabaul in New Britain. It is from these bases that the Japanese still hope to cut Australia's communications with America or even to effect landings on the Australian mainland. It is possible that



General MacArthur's offensive is still only in its preliminary phase. By taking Rendova Island, the Americans now have the airfield at Munda under shell-fire, and by capturing Viru Harbour, they have a base for the attack on Munda. In New Guinea, the landing of American troops unopposed on Trobriand and Woodlark Islands and, after some resistance, at Nassau Bay, ten miles south of Salamaua, has been followed by an Australian advance from Mubo. The Australians have now joined up with the Americans and cleared the south bank of the Bitoi River. Thus the Allied forces are in position to launch the attack on Munda and Salamaua. The question then will be whether General MacArthur commands enough men and material to undertake the much more ambitious operation of attacking Rabaul. Munda and Salamaua would provide him with bases for a concerted pincer attack, but Rabaul is some 400 miles away. It is to be hoped that however successful the Allies may be in deflecting the Japanese threat to Australia, the pattern of this stepping-stone attack will not be adopted for the re-conquest of the whole South Seas area. It is too costly and too slow. However skilfully the tentacles may be lopped off, it is the octopus itself in Japan that must be attacked.

Scorza's Ten Points

A new phase opened in Fascist politics when, at the end of April this year, Carlo Scorza was appointed General Secretary of the Fascist Party. Immediately after his appointment three of the four Party Vice-Secretaries were also changed, and of the three new Vice-Secretaries, Leonardo

Gana and Alfredo Cucco were both over fifty, and had been Party Members since 1919. The only Vice-Secretary to keep his office, Tarabini, was also a Fascist of the first hour. Since that time a steady purge of the Fascist Party has been in process. In face of the crisis of Africa and the growing threat of invasion, the old organisation was seen to be inadequate. As Farinacci put it, rather naively, in the *Regime Fascista*, "the Party must not be a jungle of wild beasts, nor an association of cliques." This phrase sums up the chief complaints against the old Fascist Party: that it was full of young men with their eye on the main chance; and that it was a mutual aid society, especially in the matter of black markets. Since April Scorza has been making a vigorous effort to strengthen and popularise the Party machine. The fact that old soldiers and fascists of the first hour are the basis of the reorganisation has been widely commented on in the British press. Less notice has been taken of the interesting provision that as far as possible officials shall be sent back to work in the districts where they received their first experience as Fascist leaders. This provision can only mean that Scorza is trying to ensure loyalty and reliability among the local hierarchy against the day of invasion. In the name of this reorganised Party, Scorza has now sent ten demands to the Duce. They reveal strikingly the weak points in the Italian system. The first demands ruthless repression of "all attempts to cause a rift in the moral and material solidarity of the people"; the second and third deal with the rationalisation of production and distribution; the fourth and fifth with the fight against bureaucracy; the sixth with the suppression of the black market; the seventh with drastic measures against speculation; the eighth with the abolition of all luxury establishments; the ninth with the repatriation of foreigners; the tenth with "the strict and complete application of the law on compulsory labour." Mussolini's reply to this ten point statement shows that the Duce has very few illusions about the amount of drastic re-organisation possible at this stage of the crisis. There is a note of almost humorous tolerance in his comments on Scorza's drastic demands. He admits the existence of grumbling, but asks the Party not to over-estimate it—"one can really ask no more from our people." On agricultural and industrial organisation, he reminds them that better men are more important than better institutions. For the re-organisation of supply and of the bureaucracy, he contents himself with saying that things are coming along quite nicely, that "red tape is not confined to the State," and that "the Italian civil service is the least numerous, the worst paid and the most honest." As for the black market, every nation, he says, has a black market in war, and the only way to beat it is to increase the people's basic rations. On the point of labour mobilisation, he asks the leaders of the Fascist unions to go and live among the workers, where they will find that "when they are not spoiled by Bolshevik phantasies they are good people, educated and calm, who only want their work to be appreciated, and to be told the facts." Finally the Duce states his faith that

today, when the enemy stands on the sacred borders of the fatherland, 46 million Italians, with negligible exceptions, are in fact 46 million combatants who believe in victory and in the eternal strength of the fatherland.

The easy tone and underlying confidence of Mussolini's speech deserve attention. He does not believe that the Allies will find Italy, in American parlance, "a push-over"; and it is at least possible that he is right.

The Committee at Work

Observers in Algiers speak of a better atmosphere and closer collaboration within the French National Committee. A good deal of work has been got through in the last week—appointments, administrative and judicial re-organisation and a wholesale cleaning out of the remnants of Vichy legislation. The military committee has also started its meetings, and reports speak of a high degree of unity on necessary reforms and reorganisation. The Committee's greater effectiveness is due in part to the normal process of the members growing more familiar with their work and with their colleagues. But it also springs from the Allied intervention to secure the position of General Giraud as Commander-in-Chief. It was done in such a way that resentment was not confined to the de Gaullestes. The ten political groups of the Left Centre and Left who issued a press statement on France's "inviolable sovereignty" represented the attitude of many shades of French opinion. It is not surprising, therefore, that the crisis has actually

strengthened General de Gaulle's position. His nominee for the key post at Dakar, M. Courmarie, has been appointed. The civil authority in Algiers, exercised by the Commander-in-Chief during the state of siege, has been transferred to General Catroux. General Bergeret, Giraud's Deputy High Commissioner until March, has been dismissed from his West African air command. This week's trend may represent a real growth of collective responsibility or simply a predominance in voting strength on the side of General de Gaulle. Whatever the case, the fact of the Committee functioning on an anonymous and collective basis is a gain, and its democratic character could well be reinforced by the setting up, as soon as possible, of some kind of provisional assembly. Provided it contained men of real quality and proved democratic reputation, it would greatly reinforce the arguments in favour of a speedy Allied recognition of the National Committee. The settlement of the Martinique question, which brings the last part of the French Empire—apart from the areas occupied by the Japanese—under the control of Algiers, is an added reason for recognising the Committee's authority. It is possible that General Giraud, on his way to Washington, personally supervised the arrangements for the transfer of authority from Admiral Robert.

Second Thoughts in Argentina

In one of his first official statements, President Ramirez declared that "This regime has not come to perpetuate itself as a military movement, but only to clean up and reconstruct"; and in general, the people of Argentina are giving their new Government the benefit of the doubt. The press is friendly and a "wait and see" atmosphere prevails in the capital. There are, however, some disturbing signs that the Ramirez regime means to develop along the old lines of South American politics—nationalism laced with *personalismo*—and that there is no real intention of restoring constitutional and democratic government. The first danger signal was the dismissal of nine out of the fourteen Provincial Governors and their replacement by Army officers. Then the elections for President and Vice-President, fixed for September 5th, were cancelled and work on the voting lists ceased. The Government gave the excuse that "the objects of the military movement of June 4th must be achieved before elections can be held." This statement marked an advance on the original and more modest programme of "cleaning up" the country. What exactly these "objects" are, no one quite knows, but a suggestive article appeared recently in *El Pampero*—a Buenos Aires paper said to be subsidised at one time by the German Embassy—declaring that the *coup d'état* of June was the result of the Nationalist Movement and that the Movement had complete plans for setting up a Corporate State with a National Council of Corporations in place of Congress; political parties would be abolished and "economic discipline" introduced. All this fits in quite well with the only slogan so far produced by the Government—"Order and Tranquillity." Some Argentine observers see in these developments the danger of closer relations with the Axis. The new Mayor of Buenos Aires, Basilio Pertine, who is said to have been Director for many years of a number of black-listed German firms, including Siemens Schuckert, the big electrical trust, is believed to be bringing a number of Axis sympathisers into municipal jobs. However, these accusations are hard to check, and for the time being at least there is no suggestion of Argentina modifying its neutrality in favour of the Axis. Quite the contrary: the Foreign Minis-

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.

ter has gone out of his way to stress Pan-American unity and his country's ties of friendship with Brazil. One of the chief reasons for the June *coup d'état* was the fear of military and naval men in Argentina that Lend-Lease supplies were making Argentina's neighbours too strong; and there is some talk of a military mission going to Washington. But here there is a definite possibility of deadlock, for the Americans are unwilling to discuss military supplies until Argentina has broken off diplomatic relations with the Axis, and the Argentine Government is unwilling to break off relations until it knows the amount of supplies it will receive.

Communists in Conference

Far from being downhearted at the Labour Party's rejection of its application for affiliation, the Communist Party, at its National Congress last week-end, was ebullient and confident. And far from accepting Mr Morrison's invitation to dissolve itself, the party decided to launch a big drive for new members, and, at the same time, to continue to work for affiliation to the Labour Party. There is very little in the present Communist programme which the Labour party could not fully endorse. In its popular and patriotic appeal it is in many respects reminiscent of French Communist propaganda at the time of the *Front Populaire*. The conference declared its support for national unity, rather more emphatically perhaps than some of the Labour rank and file would do. Mr Harry Pollitt's suggestion that at by-elections the constituency parties should meet to nominate the most suitable candidate, irrespective of party ties, is ingenious and constructive, though it might be difficult to find a mutually acceptable candidate. The party pledged itself to work for maximum production—a high proportion of its 400 delegates were skilled munition workers—and for the Second Front; it urged the strengthening of Government controls and the ending of dual control in the coal industry. It called for an extension of trade union membership, and passed a resolution demanding improvements in social standards and living and working conditions (not as a hypothetical post-war blue print, but as immediate policy). It called for such measures as the adoption of the Beveridge report, better housing, legislation on the lines of the Barlow and Uthwatt reports, the raising of the school-leaving age to 16, a national medical service, the application of the Atlantic Charter to India and the colonies, higher service pay and allowances, bigger service and old age pensions. It declared its long-term objective to be the "complete reconstruction of society on a socialist basis." The difference between Labour and the Communists, at the moment and on the surface, arises not on policy and aims, but on methods and tactics. To Mr Morrison's charge that, at bottom, it is a question of democracy versus dictatorship, Mr Pollitt rejoined that the Communists would only advocate force if force were used against the working people. Some people will regard this as begging the main question, that of democracy within the party organisation. There is no doubt that the Communist Party, whether inside or outside the Labour Party, is in a position to act as a galvanising influence. Its membership is young—no other political parties, especially in wartime, when so many young men are otherwise engaged, can boast such a low average age as 33 at their conferences—and well-disciplined membership and its energy and zeal give the Communist Party an influence out of all proportion to its numerical strength. At the moment, the umbrella of national unity in the interest of winning the war may be large enough to cover all shades of political opinion. The testing-time will come when the difficult post-war period begins. Will the Communist leopard change his spots again?

Rations for Pregnancy

From July 25th, Lord Woolton announced this week, an expectant mother will be entitled to a second ration book which will enable her to obtain extra supplies of food. She will be allowed a priority supply of seven pints of milk plus her ordinary ration; two shell eggs at each allocation; three packets of dried eggs at each allocation; a ration and a half of meat; oranges as they are available; and orange juice and cod-liver oil compound. Actually there is very little

new in this arrangement. An expectant mother already gets a priority supply of seven pints of milk a week—as much as most women will want—so that the addition under the new scheme is only her ordinary ration, which in the winter is as little as two pints a week. She will get one shell egg less than she does at present, and as for dried eggs, the Ministry of Food's problem is how to popularise them—at present the demand for them does not equal the supply. She already gets orange juice and cod-liver oil compound. In fact, the only real additions to a pregnant woman's diet will be the extra 7d. worth of meat a week and a few fresh oranges if they happen to arrive in this country during the nine months of her confinement. If the new arrangement is meant to be part of an official population policy, it is not likely to have much effect. Women who have not had babies are not likely to have one for the sake of a pork chop. If, however, it is really meant to improve the health of expectant mothers, and therefore of their babies, it would surely be more effective to give larger and definite rations of fats and cheese, which are available all the year round, than to promise priority supplies of shell eggs and oranges, which are very seasonal. What is much more likely is that the issue of a second ration book for extra supplies is administratively more convenient than the present system. This is borne out by the statement that an expectant mother will obtain both her second ration book and her extra clothing coupons from the food office on the production of a single medical certificate of pregnancy.

Trial in India

An important exercise in internal cooperation has been going on in India, and it has produced mixed results. Because of serious local food shortages, the Government has attempted to distribute grains according to need by pooling supplies over the whole of India. The attempt has been only partially successful because of the reluctance of many Provinces and States either to put their supplies into the pool or to permit free trade from area to area. On the other hand, the All-India Food Conference which has been meeting in Delhi this week is reported to be in favour of still tighter Government control, over prices as well as supplies. The food position is still serious in Bengal, Cochin, Travancore and several other districts, while food prices are generally higher than they should be at this time of year. The immediate task of the Conference is to advise the Government how best it can tide over the period between now and when the harvest will be on sale, and to secure local support for an agreed central policy. It is one of the many ironies of the Indian situation that the Government will be blamed for the shortages and the Provinces and States which have impeded the Government's policy will go unblamed. In fact, the Government will be blameworthy if it does not proceed more firmly to the total control that is required of both prices and supplies. It will not escape Lord Wavell's notice that here, in such material matters as the supply of food, there should be solid rallying points for Indian opinion and self-help. But, tentatively, the Viceroy-designate is bound to reach the conclusion from what has happened that mutual aid is not yet so well developed in India as the independence of the country, which is now assured, will require.

Shorter Notes

Sir James Grigg announced in Parliament this week that an independent inquiry, conducted probably by a High Court judge with assessors, some of whom will be military, will be held into conditions at Navy and Army detention barracks. In the meantime, the military court of inquiry into conditions at Fort Darland, where Rifleman Clayton met his death, is proceeding.

In an article entitled "Towards Inflation in Belgium," in *The Economist* of May 8th, 1943, mention was made (on page 591) of "the Belgian Government." It should have been made plain that this referred to the administrative orders, and not to the real Belgian Government, which is, of course, in London.

AMERICAN SURVEY

War Industry in the North-West

(From a Correspondent in Oregon)

Portland, June 7, 1943

THE Pacific North-west of the United States is largely occupied with four contributions to the war: cargo ships, bombers, lumber and aluminium. In terms of manpower, shipbuilding leads the others. Approximately one-fourth, or 200,000, of the country's merchant-ship builders are employed in the States of Oregon and Washington. Shipbuilding in the Pacific North-west has been centred in the Portland area on the Columbia River and in the Tacoma-Seattle area on Puget Sound. Portland has been assigned the greater share of shipbuilding because much of Seattle's labour must be reserved for aircraft manufacture. In the immediate Portland area the number of shipyard employees is greater than the entire number of wage-earners of all occupations prior to the war. The Pacific North-west's largest yard, Henry J. Kaiser's Oregon Shipbuilding Corporation, employs 33,000.

Labour turnover is the shipbuilders' most acute problem. Oregon and Washington yards are attempting to solve it by hiring thousands of women. The previously mentioned Oregon shipyard reports that 21 per cent of its labour force is female, the highest such percentage among US yards. But the loss of men has been so rapid that even the hiring of these thousands of women has served only to keep the total payroll stationary. The situation in the northern Pacific states is much more acute than in southern California, where the staff of one large shipyard is only 1½ per cent female. Most of the women in the Pacific North-west yards are working as welders. Local shipbuilders believe that their ability to use women to fabricate the hulls of welded ships, owing to the fact that welding is relatively light work, gives them an important advantage over British shipyards, where ships are riveted.

The principal cause of the high turnover in labour is the drafting of men for the armed services. Originally the shipyards were heavily staffed with young men, a high proportion of whom were unmarried. This age group is being pressed into the services at a rapid rate. Many of the older men, unaccustomed to the Pacific North-west's heavy rainfall and chilly winters, have left the shipyards to take "inside" jobs in other war industries. Illness has been high, partly on account of the makeshift housing facilities that thousands of newcomers have had to take. Many have spent the wet winter in small shacks and automobile trailer-houses, relying on primitive sanitary facilities.

The US Government has sought to relieve this situation by spending more than \$90 millions for housing in the Portland area. The most spectacular feature of this programme is the creation of an entire new city, which is the largest single war housing development in the US. Officially it is named "Vanport," but popularly it is known as "Kaiserville." Vanport, built to accommodate 35,000 persons, is the second largest city in the state of Oregon. The city is self-contained, with Government-built elementary schools, theatres, recreational centres, shopping centres, post-office, hospital, and other community buildings. Government planners provided for every aspect of social life except for religious worship.

"Native" residents of the Pacific North-west, accustomed to one of the highest average standards of living in the US, are inclined to take a condescending attitude toward newcomers from the deep south and middle-west. Teen-age Vanport youngsters, who are sent to secondary schools in Portland, often find school social activities closed to them. Old residents resent the affluence of many ne'er-do-wells who now receive, in the shipyards, an average of \$1.40 an hour, including overtime payments. Many of the newcomers have an awkward time adjusting themselves to local conditions. For example, some new settlers, baffled by the devices in their Vanport kitchens, have built wood fires in the ovens of the electric stoves.

The second great contribution of the Pacific North-west to the war is the production of four-engined Flying

Fortresses. Boeing's main plant in Seattle employs as many workmen as does a large shipyard, and the company is completing a new plant, of comparable size, a few miles away. In the past twelve months the main Boeing plant has suffered a 100 per cent turnover in labour, which means that for every 1,000 workers employed at the beginning of the year it has had to hire and train 1,000 new workers to maintain the same size labour force. In the same twelve months, Boeing has more than doubled its rate of production.

Losing men, Boeing has added so many women that they now make up more than one-half the entire payroll. Two years ago, only 3 per cent of Boeing workers were women. The mere hiring of female mechanics does not solve the labour shortage. The women show a decided inclination to "shop around" for war jobs, sampling first this factory and then another. Many stay in one place only a few weeks.

Work is continuing on the successor to the Flying Fortress, which Mr Charles E. Wilson, executive vice-chairman of the War Production Board, recently announced is "scheduled for production." Details may not be given, but it will be recalled that Major-General Ira C. Baker, commander of US Army Air Forces in Britain, stated several weeks ago that the new American bombers will carry three or four times the bomb load of the present Flying Fortresses.

The third principal contribution of this region to the war effort is lumber. Timber industries normally provide more than one-half the total manufacturing payrolls of Oregon and Washington. Forest and mill workers in these states are producing a heavy proportion of all US wood products. The coastal zone of Oregon and Washington produces more than one-half of Great Britain's aircraft lumber, including a high proportion of the Sitka spruce employed in the manufacture of Mosquito bombers. The western mountain zone of the Pacific North-west is yielding billions of board feet of Douglas fir, which is being widely used for wartime structural purposes and for the manufacture of plywood. The pine forests of the eastern portion of the Pacific North-west supply nearly one-half the boxing and crating lumber required by war agencies.

Especially noteworthy is the logging operation proceeding in the Tillamook Burn region of western Oregon, where, ten years ago, fire killed ten billion feet, board measure, of timber in an area of 400 square miles. Logging concerns, engaged in the country's largest single logging operation, have been shipping 3,000,000 feet, board measure, of logs from the Burn each day. The outer surfaces are charred, and much of the sapwood has been destroyed by boring insects and rot, but the heartwood of the larger trees is sound. Some three billion feet, board measure, of logs has been reclaimed, and operators expect a total salvage of four billion. From this Burn region comes much of the extra-long timber required by shipbuilders for keels and spars.

The region's fourth main contribution to the war is aluminium. Reduction plants in Oregon and Washington are now supplying approximately one-third of all the aluminium produced in the United States. The reduction plants were located in the Pacific North-west in order to be near the generators of two dams on the Columbia River which have been financed by the Federal Government. The first of these is Bonneville Dam, which is now generating 400,000 horse-power. The second is the gigantic Grand Coulee Dam, a structure measuring 550 feet above bed-rock and 4,175 feet long, whose present five generators supply 525,000 horse-power. Three additional generators, of 140,000 horse-power each, are being installed. These will raise the total power installation to one-third of Grand Coulee's ultimate capacity.

The dams were begun near the nadir of the Great Depression, largely as make-work projects to relieve unemployment. It was long feared that they would prove little more than engineering monuments, on the scale of the great pyramids, but they have proved to be "life savers" during the critical war years, when there is no time to build such facilities.

Pay as You Go

[FROM A FINANCIAL CORRESPONDENT]

LAST year, when the 1942 Revenue Act increased the number of taxpaying Americans to 44 millions, the more thoughtful legislators realised that difficulties would arise unless payments were systematised on a new basis. Except for the five per cent "Victory" withholding tax, the 1942 Act ignored the pressing problem of how collections were to be geared to wartime taxation.

Four general considerations, bearing in varying degree on broad fiscal policy, entered into the subsequent discussions on the modernisation of tax collections from which the Current Tax Payment Act of 1943 has now emerged:—

1. The prospect of perhaps widespread defaults brought on by the combined impact of lowered exemptions and wartime wage receipts, both bringing numerous new taxpayers under the law. This prospect gathered increased force with the approach of the March 15th payment date, when legislators felt more and more uneasy about the fact that the 1942 Tax Act, which had imposed \$9 billion of taxes retroactively on the full year's income, had been passed very late in the year.

2. Concern for post-war unemployment, when individuals experiencing sharp drops in income would have to meet taxes on the previous year's higher wage level.

3. The problem of (a) opening the way for still higher war taxes indicated in President Roosevelt's Budget message request for \$16 billion new revenue over and above that to be collected under existing law, and (b) enabling the individual to budget his tax payments so as to be in a position to sustain a higher investment in war bonds.

4. The increasing threat of inflation—week to week collections made under a withholding-at-source system would serve to draw down consumer purchasing power and decrease the broadening gap between ready money available from a \$135 billion total of income payments to individuals for 1943 and \$75 billion worth in available goods and services.

"Pay-as-you-go," as originally projected by the Treasury Department, would have meant a mere percentage withholding from the individual's pay-check of a part of his tax liability. It took the Ruml "daylight savings plan for taxes" to dramatise the necessity for thoroughgoing modernisation and give it, so to speak, box-office appeal. Unfortunately, in gaining this impetus, the problem developed into one of the most bitter partisan feuds of modern times.

Two factors served to solidify the cleavage which developed around the "forgiveness" or "non-forgiveness" of the "skipped year" proposed by Mr Ruml, whose plan was to pay 1943 taxes on 1943 rather than 1942 income. Secondly, Republicans took the view that a pay-as-you-go Bill should precede the general revenue Bill.

Had the request for added revenue not confronted Congress, or had the Republicans not pressed for a separate pay-as-you-go measure, there might have been little hesitation in adopting the essentials of the Ruml plan. As part of a general revenue measure, 1942 taxes could have been erased to achieve pay-as-you-go at the same time that new levies, together with adjustments, were put on. But taken separately, with a time lag between present forgiveness and the new tax Bill (on which work has not yet been started), the Ruml proposal faced additional opposition. One ground for this feeling was that with present taxation in the upper brackets already at a high level, new funds equivalent to the "skipped year" taxes could only be recouped from lower bracket groups. By the CIO, "forgiveness" was sharply opposed as a "grab for the rich."

Having at first urged the combination of pay-as-you-go collection with a general tax measure, the Treasury then perceived revenue possibilities in the Ruml plan, and caused indignation among its adherents by proposing that the year-behind payments be retained rather than skipped. This "doubling up," adjusted to relieve hardship, would reduce the amount of added revenue required in a later tax bill. The Treasury's argument that \$10 billion in expected taxes on 1942 income should be retained insofar as possible was persuasive in the main to Democratic tax leadership in the House.

To-day pay-as-you-go is law. A hybrid measure combining current collections, total "forgiveness" in some cases, "doubling up" in others, together with some added revenue, the Current Tax Payment Act of 1943 is the product of a desperate last-minute compromise. It applies the Ruml plan of a full year's tax forgiveness to all indi-

viduals owing no more than \$50 for either 1942 or 1943 taxes. Others are forgiven roughly 75 per cent of the tax for 1942 or 1943, whichever is the lower. The remaining 25 per cent is carried over and paid in addition to current instalments. Payments are to be in equal amounts, one on March 15, 1944, the other on March 15, 1945. Of the nation's 44,000,000 taxpayers, about 17,000,000 will have no carryover; about 27,000,000 will have to meet the carry-over instalments and hence will be only partly on a current basis until March 15, 1945.

Meanwhile, from July 1st, 20 per cent of wages and salaries of over \$12 weekly for single persons, \$24 for married couples, plus \$6 for each dependant, will be withheld by the employer at the source toward discharge of the current year's tax liability. For 30 million taxpayers this 20 per cent (which absorbs the previous "Victory Tax") will discharge their entire tax obligation. Others earning more than the basic liability will have to supplement deducted amounts by quarterly payments. Individuals whose incomes are not derived from wages or salaries will pay currently each quarter; the amount of income will be estimated, in advance, but a revision of faulty estimates will be permitted. (Estimates more than 20 per cent too low will be penalised by an added assessment.)

For business, Government and individuals, pay-as-you-go means more red tape, more forms, more work, more expense. At the same time, Government revenues will come in faster; the taxpayer will in the main keep abreast of the obligations; consumer purchasing power will be weekly and monthly drawn down by the amounts withheld; less ready money will be available to the individual for inflationary spending; and the likelihood of tax defaults and bond redemptions will be reduced.

However, the problems left unsolved are tremendous. Congress has spent some five months on an essentially non-revenue measure. This is about two months less than it took last year to raise about \$9 billion in additional taxes. While the 1942 carry-over, plus the application of 1943 rates to the higher income levels of 1943 will increase the yield of tax on individual incomes for the fiscal year 1943-44 from \$13 billion to \$16 billion, this added \$3 billion is a mere drop in the bucket when compared with the President's request for \$16 billion additional revenue.

While there will be no carry-over of the "skipped year" liability for 17 million taxpayers, the fact that 27 million taxpayers will have a "doubled up" tax liability complicates the prospect for individual income-tax increases. In the course of the recent debate, it was said that if the 25 per cent two-year carry-over were adopted, this carry-over would be substituted for rate increases, resulting in a two-year rate stabilisation. However, subsequent to this assurance, total forgiveness of all taxpayers with a \$50 liability was grafted on to the carry-over proposal. It is highly possible that the Administration and Congressmen alike may come to regret that they did not, as Ruml plan advocates proposed, "wipe the slate clean" for later increases by dropping the "skipped year" payments altogether.

The prospect for compulsory savings is similarly complicated by the 20 per cent withholding tax, which is a current out-of-pocket expense to the individual. Many legislators will hesitate to impose any substantial compulsory savings programme which, added to the withholding tax, might merely serve to shift over savings now voluntarily made, without yielding any increase in revenue. While the Treasury Department has taken a position opposed to compulsory savings, Congressmen have up to this time believed that any substantial added revenue must come either from compulsory savings or from a general sales tax. The sales tax, as distinguished from selective excises, is also opposed by the Administration.

The problem of the inflationary gap remains, except for the current withdrawals by collection at source. Actually, the withholding tax involves no added assessment, hence the gap, save for the timing of payments, remains essentially what it was—some \$45 billion of excess purchasing power with no outlet except possibly inflated prices.

With taxpayers discharging their liability currently, the old system whereby Congress could, as in 1942, write a tax bill in late October, imposing higher rates retroactively to the first of the year, is now a thing of the past. This is of paramount importance to the Government at this particular time. With prospects such that a new tax Bill will not be completed until the autumn, the Government will in all probability have to rely on borrowing for added funds during the remainder of the calendar year. Small gains in additional or increased excises would be the exception; increased corporate levies could, of course, still be applied retro-

actively, but small added revenue is looked for from this source.

In the face of this situation, war deficit financing has already turned to the individual. The first broad break with traditional policy came recently when Mr Morgenthau, Secretary of the Treasury, announced that commercial bank borrowing will be divorced from future major financing campaigns. This throws the burden of the big borrowing drives directly on the public, in particular on the individual investor. How will the Government stimulate individual investors, who accounted for only \$3,300 million of the \$18,500 million April borrowing drive, to greater participation? Through some system of tax credit for added war bond purchases? A form of expenditure rationing? Perhaps. These problems pay-as-you-go obviously does not solve.

American Notes

Presidential Counter-Attack

Mr. Roosevelt's veto of the Bill to extend the life of the Commodity Credit Corporation can be regarded as the beginning of a White House counter-offensive against the spirit of Congressional irresponsibility that has been so much in evidence in recent weeks. The Bill itself was not of outstanding significance. The Commodity Credit Corporation is one of the agencies by which Federal funds have been used for ten years past to support the market in agricultural products. The Bill renewed its life and its financial powers, but with a number of complicated conditions attached whose general effect was to ensure that any public money available went to increasing the price received by the farmer and not to reducing the price paid by the consumer. What was significant was the speed with which the President returned the Bill unsigned and the vigour of the language in which he denounced the selfishness of the farm bloc. The House of Representatives voted by 228 to 154 to override the veto, but, the majority being less than two-thirds, the Bill died. It is difficult to derive

very much consolation from the fact that the inflationist majority is only 1½ times, and not twice, as large as the President's Congressional supporters. Nevertheless, it may be that Congressmen now realise that they have gone too far. They are soon going home to meet their constituents, and some of them have an uneasy feeling that the President may have the bulk of the voters on his side.

* * *

Internecine Warfare

The open and bitter feud between two of the President's chief lieutenants—Mr Henry Wallace, the Vice-President, but appearing for the moment in his appointive rôle as chairman of the Board of Economic Warfare, and Mr Jesse Jones, Secretary of Commerce and Federal Loan Administrator—is not calculated to raise the stock of the Administration. Mr Wallace took the initiative, charging Mr Jones with impeding the operations of the BEW. This is not merely a clash of personalities, or even a conflict of policies, between Mr Wallace's openhandedness and Mr Jones's careful banker-like administration of the funds committed to his charge. It is a breach between the two wings of the Democratic Party. The Vice-President is one of the philosophers of the New Deal, the prophet of "the century of the common man," a contemner of narrow finance. Mr Jones is the chief representative in the Administration of the Southern Conservatives who are so strong in Congress and in the party machine—and in revolt against Mr Roosevelt. The President has mildly rebuked both parties for taking their quarrel to the public instead of to him—to which the answer is that he has known about it for months and, if he is able to settle it, could have done so long ago. A shrewd guess would be that his sympathies are with Mr Wallace, but that Mr Jones is too powerful a figure to be either coerced or removed. But if Mr Jones is the winner, even if only on points, his victory will be an open incitement to the anti-Roosevelt factions to be found even inside the executive department of the Government over which the President is nominally supreme.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK.

Statement of Condition, June 30, 1943

RESOURCES		LIABILITIES	
CASH AND DUE FROM BANKS	\$943,768,352.68	CAPITAL FUNDS:	
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	2,548,663,686.79	CAPITAL STOCK	\$100,270,000.00
STATE AND MUNICIPAL SECURITIES	77,379,783.82	SURPLUS	100,270,000.00
STOCK OF FEDERAL RESERVE BANK	6,016,200.00	UNDIVIDED PROFITS	49,842,417.63
OTHER SECURITIES	122,814,076.28		\$250,382,417.63
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	717,908,709.96	DIVIDEND PAYABLE AUGUST 2, 1943	5,180,000.00
BANKING HOUSES	36,215,027.42	RESERVE FOR CONTINGENCIES	15,252,664.25
OTHER REAL ESTATE	5,432,358.29	RESERVE FOR TAXES, INTEREST, ETC.	5,855,792.88
MORTGAGES	7,327,882.90	DEPOSITS	4,193,352,244.27
CUSTOMERS' ACCEPTANCE LIABILITY	4,101,112.50	ACCEPTANCES OUTSTANDING	\$10,019,894.95
OTHER ASSETS	12,979,244.50	LESS AMOUNT IN PORTFOLIO	5,540,766.71
			4,479,128.24
		LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	41,573.12
		OTHER LIABILITIES	8,062,614.75
			\$4,482,606,435.14
	\$4,482,606,435.14		

United States Government and other securities carried at \$741,894,297.50 are pledged to secure U.S. Government War Loan Deposits of \$513,420,301.82 and other public funds and trust deposits, and for other purposes as required or permitted by law.

Main London Branch:

6, LOMBARD STREET, E.C.3

Bush House Branch: ALDWYCH, W.C.2. West End Branch: 51, BERKELEY SQUARE, W.1.

Incorporated with Limited Liability under the Laws of the U.S.A.

THE WORLD OVERSEAS

France Impoverished

WHEN the men of Vichy signed the armistice in June, 1940, some Frenchmen hoped that, by staying out of the war, France would at least be able to make up for political and military defeat by economic recovery. The record of the three subsequent years shows instead a picture of utter impoverishment. The French economy has been reduced to a level from which its reconstruction in the post-war years will be extremely difficult. France's industries have been crippled or starved by the lack of raw materials. In consumers' goods, which used to play so decisive a part in the industrial life of the country, productive capacity has been kept largely unemployed. Lack of raw materials, fuel and lubricants has condemned the machinery of textile, silk, leather and other light industries to idleness, and every year of idleness increases the depreciation of capital assets. The position of the heavy industries has been equally critical, though for different reasons. German policy has been to exploit these industries as mere appendages to the German war economy. The overall output of the French heavy industries, excluding those of Alsace and Lorraine, amounts to about 50 per cent of its pre-war volume. The output of pig iron declined from nearly 4,000,000 tons in 1938 to 1,500,000 in 1941 and to about 1,400,000 tons in 1942. The corresponding figures for steel are 4,000,000, 2,300,000 and 2,000,000 tons. The table below gives indices for the output of coal, electricity, iron, steel, machine construction and for goods traffic on the French railways:

INDICES OF FRENCH PRODUCTION*

	Coal	Electrical Power	Iron	Steel	Machine construction	Goods traffic
1938	100	100	100	100	100	100
1941	107	115	39	57	61	83
1942	106	104	36	50	61	77

* The output of Alsace-Lorraine is not included.

The output of coal has been slightly expanded. An important increase has taken place in the production of electrical power. These are the only two branches of French industry in which there has been no decline. The expansion in the domestic output of fuel has been due to the necessity of covering a part of the fuel deficit which has arisen because of the cessation of coal imports from abroad. It should, however, not be forgotten that the comparison with 1938 does not provide a very accurate picture of the position. In 1938 French production had not regained its pre-depression level. If the figures of, say, 1930 were taken as the basis, then the index for coal output in 1941-42 would be no more than 60. The output of electrical power, on the other hand, would then stand at 140, a figure which would more accurately reflect the massive expansion of electrical capacity. The indices for iron, steel and machine building would be substantially lower.

The decline in goods traffic on the railways reveals only part of the actual position. Motor traffic, which played a very important part in French transport, has come to a complete standstill. Again, the indices show the total volume of output—they do not reveal the proportions diverted to the production of arms and munitions for the Germans and left for civilian consumption. In the case of coal, it is known that only 40 per cent of the total output has been available for private and civilian industrial consumption. In the other branches the civilian allocation has been substantially lower. Such branches of industry which possess no domestic raw materials (such as the rubber industries which have been entirely dependent on German supplies of *buna*) can work only for German needs.

Loss and No Gain

The state of French industry can be described as one of peculiar war-time scarcity. The negative features of a war economy are present in the picture—the exhaustion

of the country's stocks as well as the intensive and unreplaced wear and tear of its industrial equipment. What is lacking is the relative advantages of other war economy—the expansion of old productive capacity and the building of new industries. Great Britain will emerge from this war with new and large aircraft and radio industries more or less convertible to civilian uses. So, probably, will Germany and so, to a lesser extent, will many of the occupied countries. The German policy of shifting essential war production from likely theatres of Allied attack and invasion has led to industrial expansion in Austria, Bohemia, in the northern parts of the Balkans and, to some extent, even in Poland. This tendency to shift industrial production from the Atlantic has largely deprived France of any similar advantages. One consequence of the three years can therefore be clearly foreseen: France will emerge from the war with a diminished industrial potential, weakened both absolutely, in comparison with the pre-war capacity, and relatively, in comparison with the industrial capacities of other nations.

Has France saved its men, if not its machines, by the surrender and armistice? No definite conclusion is possible yet. Towards the end of June, 1943, the number of French workers deported to Germany under the *relève* was approaching the 1,000,000 mark. Together with the actual prisoners of war and such prisoners who have been released for work in German factories, the number of Frenchmen in Germany amounts to between 2,000,000 and 2,500,000. A relatively high percentage of these is likely to return to France as invalids.

Among the other economic developments which have taken place in France under the Vichy regime, the following major changes are bound to affect the economic and social outlook for some time to come: the shift in the distribution of the national income in favour of the peasantry; the enormous growth of the national debt and the inflation of currency; and the pauperisation of small proprietors as well as of rentiers. The shift in the distribution of the national income has been due to the shortages of foodstuffs and the ever-growing rôle of the black markets. (To what an extent black markets have expanded is indicated by the official statement that not less than 200,000 people were prosecuted for illicit trading in 1942.) According to a German estimate, the total money income of the French peasantry has grown by about 1,000 per cent since the outbreak of the war. The price of land has increased six times compared with pre-war prices. The industrial wages bill has diminished during the same time by one-third. Out of a decreasing national income, an ever higher proportion has been going to the countryside. The enrichment of the peasantry has, of course, been merely nominal to a very large extent. Grain crops in recent years have been some 30 per cent less than the pre-war average; and there have been considerable losses in agricultural machinery and in cattle. Even so, the peasantry has undoubtedly been much better off than any other section of the French population—a fact that is likely to accentuate the traditional French antagonism between town and countryside.

The Fall in the Franc

The national debt has, according to the well-known French economist M. F. Jenny, grown fourfold in the course of the war. Medium and short-term loans which, at the beginning of the war, accounted for 25 per cent of the national debt, have now risen to 55 per cent. The currency circulation has been trebled—it now amounts to more than 410 milliard francs. Out of this total about 100 milliard have been hoarded by the peasants. Hoarding on so massive a scale has had a dual effect. On the one hand it has weakened the impact of inflation. But, on the other hand, it has diminished the supply of credit to the Government a fact which forces Vichy to resort, via the Bank of France

to the printing press in order to cover the costs of German occupation. Some Vichy economists have recently tried to measure the present purchasing power of the franc; but the attempt has, for obvious reasons, been given up. Yet an approximative estimate can perhaps be made. If it is assumed that the mass of commodities available in the channels of trade amounts to 50 per cent of what it used to be four years ago—an assumption which it seems safe to make—and if the mass of currency has in the meantime grown three times, then the franc should have fallen to at least one-sixth of its pre-war value. This estimate may appear to understate the actual degree of inflation, because it does not take into account the increased velocity of the currency, especially its velocity in the towns. On the other hand, the relatively low prices for rationed goods must also be considered, a factor which tends to keep up—in spite of the notorious inefficiency of Vichy's rationing system—the purchasing power of the franc. It is significant, in connection with this calculation, that the rise in land prices is sixfold.

The sharp fall in the purchasing power of the franc indicates the degree of pauperisation suffered by the small rentiers. The purchasing power of their fixed incomes was already diminished in consequence of the devaluations of the Popular Front period. But it is the *Révolution Nationale* which has carried the virtual expropriation of the French rentier to the end. This has been the combined effect of the devaluation of money and the policy of low interest rates, which has reduced the nominal income of rentiers. The large scale conversions of securities and rentes in 1942 allowed Vichy's Minister of Finance to cut the debt services by about one milliard francs.

The impoverishment of small rentiers goes hand in hand with and supplements the progressive elimination of small enterprises. It is estimated that towards the end of this year about 50 per cent of the small industrial and commercial enterprises will be liquidated, either because of the concentration of enterprise or because of the lack of raw materials or because of the conscription of labour for Germany. It is still difficult to gauge all the implications of this process in a country in which 60 per cent of the industrial population drew its incomes from small enterprises, and in which the small shop accounted for about 90 per cent of the total number of trade establishments. The small shopkeeper and the artisan—for whom Vichy promised to act as trustee—have been the main and the most pathetic victims of the *Révolution Nationale*.

The Irish Elections

[FROM OUR DUBLIN CORRESPONDENT]

June 28th

THE general election which, in the opinion of many experienced politicians, should have been postponed has resulted in confusion and indecision. Before the election the Government commanded a majority in the Dail, and presumably possessed the support of a majority of the people. As a result of the election it has forfeited both. Proportional Representation has again produced a deadlock. In the early days after the Treaty, when the first Irish Constitution was being drafted, the Government was warned by some of its advisers that it is difficult to combine the British method of an Executive responsible to Parliament with Proportional Representation. That advice was ignored, but its correctness has been proved by experience. Irish politicians are strong party men who abhor coalitions. Yet it is only in exceptional circumstances that a Proportional Representation election gives any party even a small independent majority. The election of 1938 succeeded in doing so, and was followed by five years of stable government. The election of 1943 has failed to do so, and nobody knows to what evil consequences this failure will lead.

The results of the two elections were as follows:

	First Preferences		Seats	
	1938	1943	1938	1943
Fianna Fail	667,996	555,113	77	67
Fine Gael	428,663	297,494	45	32
Labour	129,757	208,816	9	17
Independent and others	60,680	116,632	7	8
Farmers	...	141,157	...	14
Total	1,287,066	1,319,212	138	138

The poll was unexpectedly large in view of absence from home and transport difficulties. Curiously enough, it was in the towns that the greatest abstention occurred. Appar-

3% Savings Bonds

1960—1970

A FULL TRUSTEE SECURITY.
GOOD FOR THE COUNTRY—
GOOD FOR YOU.

Post Office and Trustee Savings Banks Issues

- Purchasable in multiples of £5 with minimum first subscription of £10. Maximum subscription £1,000.
- Interest paid half-yearly.
- Income Tax not deducted at source.
- May be sold at any time through your Savings Bank.

Bank of England Issue

No limit to holdings. Purchasable in multiples of £50. Minimum first subscription £50. Tax deducted at source where interest exceeds £5 per annum.

2½% National War Bonds

1951—1953

A medium term security with interest payable half-yearly at 2½% per annum. In all other respects they are similar to the Savings Bonds summarized above.

*
Prospectuses and Application Forms
obtainable from all Banks
and Stockbrokers.

Issued by the National Savings Committee.

ntly, the town voter relies on being driven to the polling booth to a greater extent than his country cousin. The Government party lost 20 per cent of its supporters, but he main Opposition party lost 30 per cent, while Labour gained 60 per cent and the new Farmers' Party made an impressive showing. The Government received the votes of only about 40 per cent of the voters. In spite of the claims of its advocates, PR did not prevent a discrepancy between the votes cast and the seats won. The Government party obtained 42 per cent of the votes but 48 per cent of the seats, while the Labour party obtained 15 per cent of the votes but only 12 per cent of the seats. The result must be disappointing to all parties. The Government has clearly lost much support and the main opposition party has lost even more. Labour hoped to win 20 seats, and has failed to do so. The only party that should be satisfied is the farmers'. The single candidate who stood as a monetary reformer secured election.

Lack of Stability

From the point of view of maintaining a stable administration the new Dail is obviously inferior to the old, in which Mr de Valera possessed an independent majority. Many people who are not political supporters of Mr de Valera are willing to admit that his record as head of the Government has been in many respects excellent. If he is to continue in that position, it is definitely preferable that he should be master in his own house rather than dependent upon members outside his party. Nor can it be suggested that the inferior distribution of seats in the new Dail has been compensated for by any striking improvement in the quality of its membership. On the contrary, some of the most useful members of the old Dail have lost their seats. Nobody in Ireland has a longer record of unselfish public service than General Mulcahy, who failed to be returned for a Dublin constituency. Two other ex-Ministers of the Opposition party and at least one very useful independent were rejected. The elimination of these experienced and educated members of the opposition benches will weaken the quality of the Dail as a deliberative assembly. Some of the newly elected members may, of course, prove worthy substitutes for these losses. As far as present knowledge extends, however, the new Dail is poorer in ability and personality than its predecessor.

It is impossible to penetrate the mind of the electorate, but a few suggestions may be offered to explain the results of the election. In the first place, a Government that has been eleven years in office always suffers to some extent from the swing of the pendulum. It is noteworthy that the Government lost more heavily in rural than in urban constituencies in spite of the fact that the town-dwellers have suffered more from the shortages and inconveniences of the war. The reason is probably that the towns are more afraid of bombing, and that the urban voter believed, rightly or wrongly, that Mr de Valera would preserve neutrality more tenaciously and more successfully than any of his rivals. If this be correct, it follows that the Government party would lose more support if the war were at an end or even if its end were in sight. The losses of the Cosgrave opposition seem to indicate that their party has nothing to offer that cannot be achieved by the Government. The fact that both the big parties lost to Labour, farmers and independents suggests that the people are getting tired of the old split over the Treaty which was the origin of the party division in Irish politics for the last 20 years. Whether another general election will take place soon is a matter of speculation, but it may be safely stated that, whether it takes place sooner or later, it will be conducted on new lines. This election will figure as the last of the contests fought around the rights and wrongs of the Treaty. Forty years ago Ireland was divided into Parnellites and anti-Parnellites, but this division faded away as the memory of the Parnell split grew dimmer. A similar fading-out of the Treaty issue is taking place to-day. Future elections will be fought on policies of the present generation instead of on the quarrels of the last.

★

[Since this article was written, it has been announced that Mr de Valera has been elected Prime Minister, securing 67 votes against the 37 obtained by Mr Cosgrave. His new Cabinet includes all his former Ministers, with the addition of Mr Moylan, Minister for Lands. During the debate on the motion to approve the new Cabinet, Mr de Valera stated that he was dissatisfied with the results of the

election, and hinted that there might have to be another election if "a good Government" were to be secured.—EDITOR.]

Bolivia's Good Neighbour

[FROM A CORRESPONDENT IN LA PAZ]

June 9th

THE first sign that the present anti-Labour trend of Bolivian domestic politics is being reversed was an editorial of *Ultima Hora*, published on May 13th, when President Peñaranda was already in the United States:

If, in the opinion of the Minister of the Interior, the revolutionary forms of Communism threaten the stability of our institutions, the nazifying forces, disguised in an apparent nationalism, are a much more immediate threat to democracy in Bolivia and to its national security. They constitute a more immediate and concrete peril because, protected by the passivity of the Government—which is scared only by the red flag of Communism—they work underground and penetrate deeply into all social classes. Their pernicious influence reaches the working masses, the intellectuals, the University, the Civil Service and even the Army. . . . Nazism in its nationalist mask should be fought with more resolution. . . .

This was an unequivocal reference to the Movement of the National Revolution. The leaders of this Movement emphatically deny that they have anything in common with Nazism, but their anti-Semitism and the violent kind of nationalism they preach lead many observers to this conclusion.

Meanwhile, in the United States, Martin Kyne, CIO delegate on the US Labour Commission which visited Bolivia in March of this year, gave an account of his personal experiences, and charged the present administration with the deaths of the tin miners in Catavi. Then José Antonio Arce, leader of the PIR (Party of the Revolutionary Left), addressed an open letter to President Peñaranda, demanding the re-establishment of civil liberties, freedom of association and freedom of the Press for Bolivian labour, the urgent improvement of the living conditions of Bolivia's working class; otherwise, he said, no repressive measures could prevent a violent outbreak of discontent.

The report of Kyne was adopted by the CIO, which sent a delegation to President Peñaranda on behalf of Bolivian labour. In addition, the CIO, impressed by recent events in Bolivia, created a Latin American Committee which may be a landmark in the relations between North American and Latin American labour.

On May 21st, Arce published President Peñaranda's reply to his open letter. The PIR was promised that it would enjoy the same conditions of liberty as all other democratic political parties, including wireless propaganda and freedom of the Press. It will be given the right to summon its Congress on condition that no foreigners are invited. The provisions of the new Labour Code are to be put into effect with the co-operation of Bolivian labour. The President will ask for funds from Congress to give pensions to the families of the tin miners who lost their lives during the strike at Catavi.

President Peñaranda's reply has far-reaching implications. It was so contradictory to the trend of domestic politics in Bolivia that it could be explained only on the assumption that it was pointed out to him that in North America democracy in Bolivia is considered a necessity. It is certain, however, that it did not occur to anybody to call this intervention in the domestic affairs of a sovereign country unwelcome. On the contrary, everybody felt that North American "intervention," when it works in favour of democracy and progress, is highly desirable.

Already at the beginning of this year the US Board of Economic Warfare and the Metals Reserve Corporation agreed with the Bolivian Government an increase in the price of tin by 10 cents per lb. on condition that it should be employed entirely in improving the living conditions of the miners. The enforcement of this labour clause was, of course, opposed by the big mining operators, but some arrangement of this kind seems to have been adopted during the stay of President Peñaranda in the United States.

There is no doubt that if such a provision is put into effect, it will make the good neighbour policy much more popular with the people and initiate a trend which might be followed up subsequently in other Latin American countries.

Germany at War

The Manpower Paradox

A SHORT time ago a German newspaper stated that, at the end of May, 1943, the total number of workers employed in Germany had increased to 28.1 millions. This figure includes foreign civilian workers and compares with 1.1 millions, German and foreign, in February, 1942. There is no way of checking these figures during the war on the basis of pre-war statistics. The suggestion is that, in 14 months, in spite of very large recruitment for the *Wehrmacht*, the total number of workers has increased by 27 million. Various statements, notably one by Dr Funk, Minister for Economic Affairs, have estimated the additional number of workers (mainly women) employed since February, under the "total mobilisation" order, at one million. But, if it is assumed that, during the same period of 14 months, at least a million more men were recruited for the *Wehrmacht*, the working population, to give a net increase of 4 millions, must have actually increased by 5 millions; that is to say, in addition to the one million Germans "totally mobilised," some four million additional foreign workers must have been brought in.

Figures have occasionally been published in Germany since the beginning of the war purporting to show the successive changes in the total number of employed workers. Between July, 1939, and December, 1940, a decrease of 1,800,000 was reported. Between January, 1941, to February, 1942, an increase was claimed of 1,500,000. Now it is said that, between February, 1942, and May, 1943, there was a further increase of 4,000,000. These figures include foreign civilian workers, but, naturally, make no mention of the men called up from industry for the *Wehrmacht*. If it is assumed that, since the beginning of the war, at least 8 million workers have been recruited for the *Wehrmacht*, then (if these claims are true) roughly 12 million additional workers have been found for industry in four years of war. (Between 1914-18 the total number of employed workers fell by at least three million.)

The Weight of Numbers

Are these figures at all plausible? Or is this just another case where Nazi propaganda is deliberately misleading? The propaganda has been extensive. It is suggested, on the basis of the census figures of all the occupied and dependent countries, that the labour force available to the three Axis powers is only slightly smaller than the combined total of the gainfully employed in Great Britain, the United States of America and the Soviet Union. The impression is sedulously fostered that Germany can absorb unlimited numbers of workers. In Germany's totalitarian economy before the war the tendency to declining productivity was countered by greatly increasing the number of persons employed. Under war conditions this process has been intensified; the most difficult problem has been the need for more workers. It is not only the losses sustained in Russia that have forced this tremendous increase (whatever its size may really be) in the number of workers in Germany since February, 1942. Another cause is the familiar fact that technical skill has had to be replaced by mere numbers. Semi-skilled workers can be replaced in industry by unskilled ones after the rationalisation of processes. But, of course, this process of rationalisation, if executed on a large scale, requires very considerable initiative and ability on the part of key engineers and highly skilled workers; only by these means can large numbers of unskilled workers be brought in, especially when the production of machine tools and other machinery is restricted by wartime necessity.

Minister Speer has given a small group of engineers unlimited powers to carry rationalisation to the limit, that is, as far as the available machinery allows. An elaborate system of "efficiency" competition between factories has been introduced. Bonuses have been paid for suggestions leading to increased output. The exchange of inventions and methods of production has been made compulsory. All these devices have had one aim—to arrest the decline in output. The so-called "total mobilisation" was decreed; but, at the same time, the demand for more workers was increasing. It is just conceivable that the total number of workers employed in Germany has risen to 28.1 millions. A considerable number of prisoners of war, who were already employed, may now have been given the status of civilian workers, which would largely explain the

over-all numerical increase. In Greater Germany, it is possible that eight or even nine millions out of the total of 28.1 millions are foreign workers—roughly one-third. Official statements have suggested that at least four million foreign workers are employed in the armament industry. But it seems almost incredible that nearly half of the total number of workers employed in the armament industries proper should be foreigners. Thus the Nazi employment figure may not be far from the truth; but it indicates not growing strength but growing weakness. The Germans are in desperate need of more workers of the right sort; but they have too many of the wrong sort. In relation to the productive capacity available, and to the number of key skilled workers, Germany's economy would seem to be saturated, quantitatively, with labour. For some time, the factories have been filled indiscriminately with workers. During the "total mobilisation" women were hastily registered in great numbers and sent to factories, and there was undoubtedly overcrowding. There are many signs that output suffered. Shifts had to be changed to suit women; working processes had to be broken up into still simpler operations; skilled workers who had received their call-up notices hastily trained other workers to take their places. Changes in the production programme increased the number of orders in some factories and left other factories without enough work for their workers to do. There were the workers and there were the orders, but the workers were in the wrong places, and for the most part lacked the necessary discipline or skill to do the work.

The situation is still confused. There are signs that an effort is made to redistribute the labour force. The basis of this redistribution is the high mobility of the foreign workers, who are mostly housed in barracks. They can be moved in large numbers at a moment's notice, like an army. German women are as a rule directed to factories near their homes, while foreigners are moved to other districts. Russian women who have been deported to Germany in great numbers take the place of called-up German workers in heavy industry. They are removed from light work in textile, clothing and light engineering factories where their places are taken by German women. In all factories German workers are trained in quick courses to take the place of skilled workers called to the colours. German apprentices in their second and third year, that is, boys aged 16 or 17, are made foremen over gangs of unskilled foreign men and women—mainly over the so-called "east workers" from occupied Russia. But all these changes cannot get rid of the "deadweight" of these millions of unskilled and unwilling foreign workers. Shifting them from place to place is no solution. The overcrowding of factories with unskilled workers remains.

The Nazi authorities are, of course, well aware of this problem. To increase willingness, the nominal wages of "east workers" were raised by from 17 to 20 per cent; since May 1st, "east workers" may be paid piece wages. To increase skill foreign workers go through psychological and vocational tests under the direction of the Labour Front; and according to the results "suitable" persons are trained for skilled and semi-skilled occupations. At the same time, there seems to have been a change in the treatment of foreign workers outside factories. Political propaganda seems to be used where there was formerly only brutal compulsion. For this campaign to increase the willingness and skill of foreign workers, and to lighten the deadweight in German industry, to be successful, a longer period of relative quiet at the front is imperative—and not perhaps very likely. If it did succeed, German industry might again be able to absorb still more workers, and perhaps even to start on a new programme of expansion to replace the industries that are being destroyed in the Ruhr-Rhine area. But at present, simultaneously with an acute shortage of labour, it is undoubtedly weighed down by too many workers of poor quality.

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,
2266, TUITION HOUSE, London, S.W.19.

THE BUSINESS WORLD

Kaffir Shares

OF all share markets, there is none which caters for investors of catholic tastes more completely than the South African gold mining share market. From the well-established dividend-paying mine with a long "life," high-bearing ore reserves, strong finances and settled mining policy, at the one end of the scale, to the newest "developer," safely but only recently past the prospecting stage, at the other, the market presents a continuous gradation of "risks" which is hard to match in any other single industry. Investors, to suit their own choice and circumstances, can ring the changes at will on old mines and new, rich and poor, high cost and low cost, with unexampled facility. From the conservative buyer, who wants a security not unfairly comparable with, say, a good average home industrial share, to the out-and-out gambler who is looking for something that may double—or halve—its price in a few weeks or months, there is something for everybody.

In normal times, income yields, even after reasonable allowance for amortisation, run relatively high—as some pre-war Unit Trusts discovered. Special risks, of course, attach to mining ventures of every sort, but in the case of South African gold mines, one can with care have as much or as little of them as one likes. And the further one moves away from the "developers" towards the "dividend-payers," the more the individual "speculative" risks of given enterprises tend to merge into broader "investment" factors which, because they apply to the industry as a whole, are much more readily calculable. Finally, the quality of management, which with most industrial company shares is a crucial but unknown factor that the investor must take on trust, can be assessed with some accuracy for any "Kaffir" share. Both finance and technical administration are, in most cases, under the suzerainty of one or other of a limited number of firms of established reputation, ample resources and long experience. Even the market itself is cared for. Here, as elsewhere, the buyer must use his discretion, but, while investment interest may wax or wane, the market never "dries up." There is no day when Kaffir shares cannot be bought or sold at a price; for it is part of the recognised duty of the large finance houses to meet demand by replenishing or reducing the floating supply of stock—for a consideration, naturally.

If, in spite of all this, South African gold shares have never won the same exclusive investment interest in Great Britain as in the Union itself, the reason lies, partly, in London's wider choice of stocks of all kinds and, partly, in the fact that the conditions governing the fortunes of the industry as a whole have been proved by experience to vary, perhaps, rather more widely—and often more unforeseeably—than those applying to many British manufacturing or distributive trades. The basic factor, of course, is the price of the commodity, gold, which is far more stable over short periods than the prices of most other commodities and, over long periods, has had a steadily rising trend. Here, the chief risk is the future of world demand, since the chief use of gold is non-industrial. The world's largest buyer for currency purposes—the United States—has of recent years been acquiring the metal only to bury it, and ingenious planners elsewhere have gone some way in showing the world how gold, for international exchange purposes, could be economised to the point of being dispensed with.

The Kaffir share market, however, remains firm in its belief that the metal will remain, after the war as before, the ultimate currency and exchange medium, and that its long-term price trend will continue, if anything, to be upward. The South African gold mining industry's trials and difficulties reflect more immediate conditions. Its position, as much the most important revenue-producing industry in South Africa's economy, has both advantages

and disadvantages. It ensures that the relations between the Union Government and the industry will be on a basis of recognition of mutual interests. But it also encourages the South African Treasury to look in the industry's direction whenever demands for higher Exchequer receipts are pressing. Mining taxation has increased steadily since 1932, when mining profits were benefited by South Africa's decision to follow Britain's example and devalue the pound. The process, however, has been accelerated, for obvious reasons, since the war. A much more serious difficulty, however, has been the physical limitation imposed on mining operations by inability to import new materials and stores on anything like the pre-war scale and—recently and more particularly—by a growing shortage of labour, especially native labour. Expenses have increased, also, and the incidence of higher charges has, naturally, been heavier on the lower-grade mines. New development has not been entirely arrested, but serious work on many new propositions (especially lower-grade ore projects) has, perforce, been suspended for the duration of the war.

SOME RAND SHARE PRICES AND YIELDS

Company	Div. (Per Share)		Price		Yield %
	1942	1943*	Pre-War (Dec., 1938)	Present	
Venterspost	s. d. 1 1½	s. d. 1 10	s. d. 35 6	s. d. 32 3	2.58
Marievale	1 0	1 0	18 6	28 6	3.51
West Springs	1 6	1 0	46 0	26 3	3.81
Luipaards Vlei	8	8	20 6	17 6	3.81
Western Reefs	2 0	2 9	29 0	64 4½	4.27
Grootvlei	4 9	5 6	97 6	118 9	4.64
Brakpan	1 10½	1 3	52 6	26 3	4.72
Vogelstruisbult	1 7½	1 4	24 0	28 9	4.64
Durban Deep	3 6	3 0	52 6	68 9	4.37
Springs	1 6	1 0	30 0	17 6	5.71
E. Daggafontein	2 8½	2 6	21 0	44 4½	5.64
Van Dyk	1 4½	1 3	26 6	22 6	5.55
Crown Mines	13 0	10 0	320 0	172 6	5.80
Daggafontein	2 7½	2 4½	42 0	38 9	6.13
East Geduld	11 0	11 0	222 0	187 6	5.96
East Rand d'Or	2 7½	1 3	21 0	21 0	6.22
West Rand	2 5	1 9	37 6	28 1½	6.35
South African Lands	2 6½	3 3	61 0	51 3	6.34
Nigel Gold	3 6	3 0	44 0	52 6	6.18
Rand Leases	3 3	3 0	44 0	45 0	6.66
Nourse	4 3	3 0	235 0	128 9	6.99
Sub Nigel	10 3	9 0	35 6	31 3	7.20
New Kleinfontein	2 10½	2 3	76 0	55 0	7.27
City Deep	5 0	4 0	52 6	40 7½	7.39
Consolidated Main Reef	4 9	4 0	90 0	85 0	8.24
E. Rand Prop.	5 6	3 0	72 6	31 3	8.00
Modder East	7 0	7 0	185 0	155 0	7.74
Robinson Deep "B"	3 0	2 6	30 0	36 10½	8.15
Geduld	12 3	12 0	41 0	43 9	8.00
Govt. Areas	3 3	3 0			
Witwatersrand Gold	3 6	3 6			

* Assuming payments for second half-year maintained at June, 1943, levels.
† Gross, before income tax and S. African non-resident tax.

Stock Exchange activity in Kaffir shares, nevertheless, has increased, recently, to the dimensions of a boom. Both the movement and its causation seem the more difficult to locate and explain the more closely they are examined. Undoubtedly, much of the buying has been "speculative," in the sense that buyers have had in mind not present but future benefits—either by way of high post-war returns from developing companies in the newer areas or the resumption (at least) of pre-war payments by established producers. But the evidence suggests that the main motive force behind rising prices has come from South Africa rather than London, and that it derives less from any shrewdly calculated estimate of real future possibilities than from a general feeling of optimism about the war and political prospects, in a market whose choice of speculative investment media is somewhat closely circumscribed. The

correlation between Kaffir share activity and the popular expectation of a victory for General Smuts in the elections which have just been held in South Africa has been suggestively close. For that reason alone, the indefinite continuance of the upward movement is a matter of doubt.

At the moment, the trend of net earnings and dividends is definitely downward. Total dividends for the first half of 1943 were £7.5 million, against £8.6 million for the first half of 1942. The most formidable difficulty—shortage of native labour—is virtually certain to become more pronounced the longer the war lasts. Thereafter, improvement will be steady rather than spectacular. Meanwhile, the suggestion has already been made that some measure of voluntary "telescoping" should be sponsored by the Transvaal Chamber of Mines, to economise labour supplies by putting the lowest grade mines on a care-and-maintenance basis.

The market, again, may conceivably be right in its assumption that, after the war, the greater part of the Government's special levy on working profits—now as high as 22½ per cent—will be rescinded. But experience of Exchequer needs and methods the world over suggests that the lightening of the mines' taxation burden may well be less rapid than the market appears to be assuming. Costs,

further, will fall, but not to the pre-war level. Outputs will increase, but only gradually in most cases.

The yield figures in the table on page 50 show that the present return on the majority of established Rand shares is not over-generous, to say the least, by normal market canons. The figures, incidentally, have been calculated before allowing for amortisation, income tax (at less than the British standard rate; owing to Dominion Income Tax relief) and the objectionable 7½ per cent "non-resident" tax imposed by the Union Government. Particularly low yields on shares like Marievale, Grootvlei, Venterspost, Luipaards Vlei and others, reflect pre-discounting of the probability that these mines will be quickest off the mark in expanding production, owing to favourable features in their technical position. The average yield (so far as an average can be struck in this very mixed market) is around 5 to 7 per cent.

All in all, present evidence would seem to suggest that, on their own merits, South African gold mining shares have some claim to be regarded as among the more promising "recovery" counters which the Stock Exchange offers to-day. But existing prices represent a not particularly conservative valuation of prospects—in the earlier post-war period at any rate.

Standardised Accountancy

IT is no accident that the growing prevalence of monopoly and of state intervention in industry have been accompanied by an increasing realisation of the need for some criterion, other than the financial results achieved, of the efficiency of those engaged in manufacture, trade, distribution and finance. Under a system of pure competition and freely fluctuating prices, there are daily indications as to what makes for prosperity and what does not. In the measure that conditions depart from this ideal, the indications become less valuable, or are lost entirely. They must be replaced by alternative criteria which can only be supplied by detailed costing of all operations on a strictly comparable basis. It is therefore not surprising that an autarkic Germany with an industry already highly cartelised and a single aim in view, should have evolved a system of cost accounts aiming at complete standardisation. A description of this system and its background, together with some idea of its contribution to the planning of the war economy, has been compiled by Dr H. W. Singer for the National Institute of Economic and Social Research, who publish it as the fifth of their *Occasional Papers*.*

Although much had already been done on similar lines by individual cartels, the system discussed was imposed on German industry, trade and handicrafts from above. Finance and public utilities had efficient schemes in operation which required only minor adjustments. Each of the sections named has to base its whole cost accounting on a *model chart*. Each main section is divided into a number of groups, and then into sub-groups, for each of which a more detailed *plan of accounts* is drawn up so as to provide the material for the *model chart* of the section. As membership of the sub-groups is compulsory, this system provides figures which are uniform in broad outline for the whole industry, and in detail for each sub-division. Some simplification is permitted for small concerns, and there are special arrangements for companies making products which fall in different sub-groups and for vertical combines. There is, however, little evidence that these exceptions interfere with the complete standardisation which is one essential aim of the system.

Apart from this factor, the originality of the plan lies in two features: the complete separation between workshop and financial accounts, the former being expressed at fixed prices throughout, and the relation of all particulars to the unit of production. The original plan was to make these accounts supplementary to the old cost accounts. In practice the cost accounting is done on the new system, and these figures are then incorporated in the financial accounts by some system of adjustments. Little is said of these adjustments. It will be seen that the workshop accounts are really statements of quantities of material, manpower and other factors employed expressed in standardised terms of money.

* *Standardised Accountancy in Germany*. Cambridge University Press. 68 pages and tabular appendices, 6s.

As they are carried down to individual units of production, it is possible to determine which firm is the more efficient in real terms, and also just what the cost of any firm is in real terms. Costs are divided into those which are essential for actual manufacture and those which are not, while, to secure strict comparability, such items as managerial salaries to manager-owners and interest on capital are included for all units whether these are, in fact, paid or not. Further, in contrast to the British practice of restricting allowances for failure to use plant to those sections which are out of production for an extended period, account has to be taken, under the German plan, of each hour's idleness of every unit of production. This makes it possible to determine how real costs compare, and consequently, to decide what firms should do any given amount of work. Under conditions where current production may be more important than efficiency, this also determines the "marginal" firm, while, in the necessary adjustments, it shows what price should be paid to any given firm. It need hardly be added that, for the plan to work, centralisation and uniformity of practice by those responsible for giving orders and determining remuneration is equally necessary.

Obviously such a system would lose half its value if it had to wait on an elaborate system of audit. Actually, the workshop accounts are kept "as-you-go"; are presented monthly, and may, apparently, be called for at any time. As no audit is possible, it was found necessary last year to make the manager providing the return individually responsible, any reporting of misleading information, whether deliberate or inadvertent, being punished by heavy fines.

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

Under war conditions it has not been possible to determine the exact effects of the new system. Apart from the points already mentioned, it has provided accurate evidence of the physical amount and location of stocks and work in progress. It has, however, been necessary to warn firms that the workshop accounts offer no information about their own financial results, while the authorities have found it necessary to take market prices into account—where these exist—in a large number of cases. The system has been of little value in price-fixing, and it has not made it possible to evolve any single recipe for obtaining the results desired. It has, however, been an essential element in all the numerous policies adopted by the central administration.

The question naturally arises whether the German experience provides any lessons of value to this country. Up to the outbreak of war, the British Government had confined its concern with company accounts—other than those of certain utility undertakings—to ensuring a system of audit, designed to prevent the issue of dishonest or misleading financial accounts. With cost accounting it was scarcely concerned at all; auditing and cost accounting have grown up almost as two quite separate matters. "Fixed-price" cost accounting—that is, the comparative cost accounting of different varieties of industrial activity—has existed in this country only within a few of the large vertical combines; the nearest approach to the German system has been costing at standard prices, the standard being a target figure often based on time studies and subject to adjustment for any more than quite temporary change in the underlying factors. Further, there was no uniformity among industrial firms or Government departments. A dozen or so industrial groups had evolved uniform costing systems, but these were not mutually comparable.

There cannot be any doubt that the absence of a uniform system of cost accounting has been a serious embarrassment in wartime. Many of the familiar difficulties of determining the size and location of new capacity, the magnitude of stocks and of securing agreement and understanding between Government departments and industry would have been avoided if there had been comparable figures accepted by all parties, and a uniform system of terminology and practice. Had there been uniform standards, several of the problems which have called for the evolution of an elaborate regional organisation would scarcely have arisen. Equally, much of the negotiation on matters of contract prices and tax liability would have been greatly simplified. The war effort would have been mobilised with much less expenditure of time, and, probably, with a substantial economy in manpower.

Peacetime Requirements

It does not, however, automatically follow that a uniform system of cost accounting would have equal value in peacetime, when there is not a single buyer, using public funds, for the greater part of the output of industry. Nor do the arguments directly apply to financial accounts. Nevertheless, a strong case for at least a modicum of uniformity can be made out. It rests on two main arguments. First, if the state is to undertake the primary responsibility for seeing both that the resources of the country are fully and continuously employed, and also that they are employed to the best advantage, it must have the fullest information as the basis of its policy. If a census of production could be justified in the very different conditions of 1907, a continuous system of reports, in uniform style, on the operations of industry will be necessary in the future. Secondly, in the execution of its policy it will clearly be necessary for the Government to evolve a subtle and complex policy of giving inducements to greater activity, especially in capital expenditure, at some times, and putting the brake on at

others. Such a policy will be impossible unless words and figures in company accounts are given the same meanings throughout the country.

In wartime, it is the physical basis of cost accounting that is of the greatest value. In peacetime, especially in an economy governed by comparative freedom of choice in consumption, financial accounting becomes of at least equal importance. Only the relation between costs and receipts—the measure of financial success or failure—can indicate *which activities should be carried on*, while physical cost accounting measures relative efficiency in carrying out *any particular activity*. Obviously, some combination of the two is necessary. How far complete duplication should be carried is a matter for further enquiry. What is quite clear is that expenditure on exact information is not only necessary in the national interest, but is a productive outlay for those who undertake it.

Even though much further thought needs to be given to the question of the exact form of accounting best suited to British conditions, there is a great deal to be said for an authoritative endorsement of the general principle of uniformity. Only then will it be possible to overcome the objections which will always be raised when changes of system are suggested. Uniformity for each industrial subgroup ought, in the ideal state, to extend to both cost and financial accounting, and it is worth having even before the perfect system has been evolved. Indeed, the actual practices adopted as the standard should be subject to continuous review in the light of changing requirements and the development of instructed opinion in all accounting circles. This should make it possible to achieve a compromise to which all can work. The adoption of any such system of standardised accounting would not mean that there would be no place for a skilled and highly trained industrial accountant. He would still be concerned with systems for dealing with particular refinements required by his firm, but not yet standard practice, with suggestions for improvement of the existing standard, and with the hundred and one matters, outside accountancy proper, which tend to occupy the more highly trained accountant and auditor in industry.

Advantages to Industry

The advantages of a uniform system of accounting in all its manifestations are so great that it is surprising that more numerous and effective efforts have not been made to achieve it. The explanation lies, probably, in an inherent distrust of "scientific" methods by the average business man. That is passing in the newer industries, and the change should be made general. Uniformity means, after the initial difficulties of change-over, a substantial reduction in the cost of account keeping. Because the decisions are all taken in advance, the staff can be trained centrally, and the actual records can be mechanised. This in turn means that a continuous supply of comparable figures is available to provide a check on efficiency and performance. The system, even if not applied in full detail, would be of tremendous benefit to the small firm. Under present conditions, such a firm cannot afford to evolve a suitable system of costing in detail for itself, and this is one of the reasons impeding the grant of direct Government contracts to small firms.

Further, a uniform system of accounts would provide a really sound basis, not only for central planning—insofar as that may be necessary—but also for a policy of industrial taxation of a more logical and helpful character than has so far been attempted in this country. It is essential that Government departments should draw their information in part at least from a centralised statistical service, and uniform accounts would go a long way towards supplying the information required for such a service. Different rates of taxation could be levied on different sources and dispositions of industrial income if there were an assurance that standardised definitions of terms were in use. Finally, accounts of this sort would be a sound basis for granting finance at long and short date, and should mean that the efficient firm, even if small, obtained, on more favourable terms than in the past, both finance and other services in which the status of the firm was an element.

It is probable that there would be considerable initial objection from both managements and accountants to the degree of uniformity required for national purposes. The principal advantages of the change to concerns with an efficient system would flow from the establishment of a central statistical office for the information of Government departments as well as of the public. Therefore, this reform and an improvement in the system of taxing industry should go hand in hand with the reform of company accounts, both in the matter of greater uniformity, and in that of providing more, and more accurate, information in published figures.

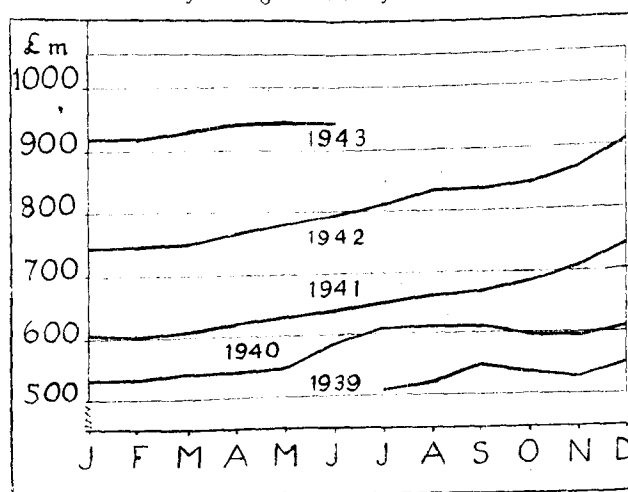
Business Notes

The Circulation

The Bank of England note circulation has for the past eleven weeks acquired a stability without precedent for any comparable period since the outbreak of the war. Between April 21st and July 7th the active circulation has shown a net increase of £1,735,000, while over the corresponding period of last year it rose by £40,292,000. Does this indicate a definite change in the secular trend? The evidence so far available does not allow a definite answer to this question. Wage rates are still increasing, though it is probable that the aggregate wages bill has shown little change over the past six months. Something approaching full mobilisation has been achieved, and the effect of recent increases in rates of wages has to some extent been offset by the steady intake of the newer classes and of de-reserved men into the armed Forces. On this score, therefore, the

NOTE CIRCULATION, JULY 1939—JUNE 1943

Based on monthly averages of weekly Bank of England returns.



recent flattening in the note circulation curve is not altogether surprising. But there are two special factors which have contributed to the movement, and may even account for the larger part of it. The first is the Wings for Victory campaign. This savings drive has undoubtedly caught the public imagination more effectively than any of its predecessors. Throughout the country, it probably induced a substantial number of notes to emerge from their hoards. In the second place, the period of stability in the note circulation began with the Bank of England's announcement that notes of larger denominations were no longer to be issued. Since the last week of April, when this announcement was made, appreciable quantities of these larger notes have come back from circulation. Some have made the return journey by devious and insalubrious channels, where they have been changing hands at discounts ranging up to 30 per cent. These are the notes which had provided part of the stock in trade of the black marketeers and tax dodgers, who, in order to rid themselves of them without leaving incriminating evidence, have been prepared to sell them at less than their face value. Bookmakers are one of the agencies through which such business has been conducted. The fact that a £1,000 note has changed hands at £700 to £800 betokens a very bad conscience, or a very imperfect market, or, more probably, both. These two special factors have now spent their force, and the course of the circulation over the next few weeks—allowing for the inevitable holiday expansion—should provide a more valid indication of the real trend.

Post-War Shipping

Before the war, the world's merchant shipping tonnage—steamers and motorships exclusive of American Lake vessels—was 66 million gross tons; less than half of this total—30.4 million gross tons—were classified by Lloyd's Register of Shipping as ocean-going tonnage "available for general cargo and passenger purposes." Although the shipping tonnage of the United Nations is now growing as a

result of the great expansion in American production and the decline in sinkings, it has been heavily depleted during the past three years. There is little information about Japan's position, but the tonnage controlled by Germany and Italy must be appreciably smaller than three years ago. In sum, the present world tonnage is probably well below the pre-war figures. It is impossible, at this stage, to forecast the total tonnage likely to be available at the end of the war. But it is significant that the rate of construction in American, British and Canadian shipyards already exceeds the combined rate of the sinkings of United Nations' vessels by the Axis and of Axis ships by the United Nations, as well as ordinary marine losses. The world's total tonnage, in fact, is growing again and, if the war lasts long enough—say, another two years—it will end with a global tonnage as large as at its beginning, though not with the types in the proportions required for peace. Whatever the assumptions about the size of the world's tonnage at the end of the war, there can be no doubt that the deficiency—at least in cargo vessels and tankers—could be made good fairly rapidly. The United States alone hopes to construct some 12½ million gross tons this year; together, the United States, the United Kingdom and Canada should be in a position to build ships at the rate of more than 15 million gross tons a year. The building capacity of the world as a whole will be still larger. Any conceivable shortage in freighters could therefore be made good in two years or less, though the provision of an adequate tonnage of passenger and other specialised vessels would take longer.

America's Place as a Shipowner

The geographical distribution of the world's shipping tonnage will be very different at the end of the war from what it was at the beginning. The United States is already the biggest shipbuilder and on the way to becoming the biggest owner. Continental fleets will be depleted; a heavy toll may still be taken of Japan's merchant tonnage, and Great Britain's may have shrunk severely. This does not mean that the United States will be able, or even anxious, to retain the position of the biggest shipbuilder and shipowner after the war, when the deficiency of the world's merchant fleet has been made good. Naturally, the proportion of America's trade that should be carried in American bottoms after the war is high on the list of post-war shipping problems now being examined by the United States Maritime Commission. True, there was a time when America carried nearly all its foreign trade in its own ships. In 1825, when the American clipper was the fastest craft afloat, American ships carried nine-tenths of American trade; at the beginning of the present century the proportion was less than one-tenth, but it began to rise again during the Great War, reaching three-tenths in 1940. Some Americans hold the view, partly for reasons of defence, that the United States should aim at carrying half the total of its imports and exports in its own vessels; on the basis of pre-war trade, this would involve an American gross tonnage of about 15 millions, against 9 millions in 1939, when Great Britain owned 18 million gross tons. Others, however, point out that the application of this principle would injure other countries, such as Britain and Norway, a substantial part of whose national income is derived from shipping services rendered to other nations. The importance of the "defence" argument will depend largely on the nature of the peace settlement that will be concluded. But, if that settlement appears to hold out prospects of an enduring peace, the financial considerations involved in the maintenance of large shipbuilding and shipping industries will scarcely be overlooked. It can be taken almost for granted that the United States will be anxious to have a bigger merchant fleet than before the war; Congress may be willing to pay a subsidy for that purpose (which will not otherwise be achieved), but it is unlikely that America will wish to carry a large proportion of the trade of other countries below cost.

Pacific Gamble

The movements in stock market prices which attract attention continue to be concentrated in the more speculative markets, where the chance of a marked increase in profit and turnover in the post-war period is most evident.

**OVER 1,000 FIRES
A DAY ARE HELPING
HITLER.**

Most of them are caused by matches
and cigarette ends.

YOU CAN'T BE TOO CAREFUL!

Diamond shares were bought, largely for their war-time attractions, which had not been fully realised, but partly on post-war prospects. The transfer into South African gold mines was almost entirely dictated by considerations of recovery once the conflict is over. This week both these sections are rather out of favour, and rubber shares have been brought into prominence by the re-opening of the offensive in the Pacific. Shares have in many cases risen to levels which suggest a belief that recovery of states may not be very far off. This movement is premature, to say the least. The stock market deserves attention for quite other reasons than the rise in rubber shares. Monday last was the best day for a number of weeks and the increase in bargains received and, probably, in actual turnover occurred in no small measure in the commercial and industrial list, while there has been a distinct improvement in gilt-edged stocks of all types. There are signs of reviving interest in genuine investment stocks and shares. As happened last year, July may see a resumption, but on a modest scale, of the rise which was reversed during June.

Uniting the Francs

The difficulties which have been experienced in the political and military negotiations at Algiers have had their counterpart on the financial front. The rapid unification of the monetary regimes in the de Gaulle and Giraud territories, which had been expected to follow as a matter of course from the hard-won political unification, has yet to be announced. For the time being, therefore, the territories controlled by the French Committee of National Liberation have a dual currency. The former de Gaulle territories have a franc based on sterling, and quoted at 176½ to the £. The North African franc has no specific exchange allegiance, but is quoted at 200 to the £ and 50 to the dollar. Thus de Gaulle continues to be quoted at a premium on Giraud and, now that the two generals have been assured of supreme military command in their respective territories, fears have been expressed that the monetary unification for which most people had been waiting may be deferred *sine die*. These fears should prove groundless since the arguments in favour of currency unification could hardly be stronger than they are. In undertaking unification of the two currency systems those responsible may be prepared to effect a fundamental revision of the rate. Recent reports from North Africa suggest that, measured by wage rates and the cost of living, the franc is considerably overvalued even at 200 to the £. In the black market, a pound note sells for 700 francs. On this evidence it would certainly be difficult to unify the two currencies on the basis of the de Gaulle rate of exchange.

Fixing the Lira Rate

It was reported this week that the Allied military authorities had fixed a rate of exchange of 480 lire to the £ in the occupied island of Pantellaria. Questioned on the matter in Parliament, the Chancellor of the Exchequer refused to be drawn and promised a statement on the problem of the sterling-lira exchange "at a convenient opportunity," adding that in fixing the proper rate of exchange the basic consideration of the Government must be to take account of the relative economic factors, "including local prices, wages and other elements." The decision, which can hardly be of any great practical importance in the case of Pantellaria, lies wholly with the appropriate authorities at the War Office, though any rate fixed by the military must obviously establish a strong precedent for the more permanent arrangements that may subsequently be made. The rate of 480 lire to the £, apparently fixed in the occupied Mediterranean islands, follows the precedent created by the British military authorities in the various territories of Italian Africa. It is, however, significant that this rate should have been chosen to apply to the first part of metropolitan Italian territory to be occupied, and thus provides an obvious point of departure for the larger scale exchange decisions that may have to be taken in the future. In the early months of the war, when Italy was still non-belligerent, the lira was officially quoted at about 78 to the £. This, however, was a decidedly unrepresentative rate, and in the black markets rates of up to 400 lire to the £ were quoted for sterling bank notes. Vatican City could formerly provide the best facilities for such exchange operations, and its unique status, since Italy entered the war, must have enhanced its advantages as a

centre for exchange arbitrage. The rates recently quoted for sterling notes and dollar bills in this neutral Italian enclave do not suggest that the British military authorities have unduly depreciated the lira in giving it an exchange value of 480 to the £ in the occupied Italian territories.

Treasury Deposit Receipts

Since April, 1942, the monthly debt returns have indicated how much of the total Treasury deposit receipt redemptions represented pre-encashments and, by subtraction, how much of the TDRs repaid during the month had been held to maturity. The revelation of the pre-encashments has been made retrospective to the beginning of the TDR issue by the Chancellor of the Exchequer, who recently gave the information in a written answer in Parliament. With this complete data on TDR pre-encashments, it is now possible to give the accompanying table showing for each quarter and half-year since July, 1940, the segregation of TDR redemptions into pre-encashments and receipts held to maturity. The percentage figures shown in italics in the second column measure the TDRs held to maturity in any particular half-year as a proportion of those issued in the previous half-year. The TDRs held to maturity up to June 30th last represented 76.5 per cent of the total issued up to the end of 1942. The amount of quarterly pre-encashments will be seen to have varied widely and to

TREASURY DEPOSIT RECEIPTS (£ million)							
	Issued	Repaid			Net Movement	Out-standing at end of Period	Held by Clearing Banks
		At Maturity	Pre-Encashments	Total			
1940							
3rd Quarter...	124	—	—	—	+ 124	124	—
4th " "	262½	—	48½	48½	+ 214	338	—
Half-year	386½	—	48½	48½	+ 338	338	324
1941							
1st Quarter...	207	95½	20	115½	+ 91½	429½	—
2nd " "	380	217	73½	290½	+ 89½	519	—
Half-year	587	312½	93½	406	+ 181	519	482
		80.8%					
3rd Quarter...	288½	164½	43	207½	+ 81	600	—
4th " "	592	301½	79	380½	+ 211½	811½	—
Half-year	880½	466	122	588	+ 292½	811½	758
		79.4%					
1942							
1st Quarter...	161	208½	267½	476	— 315	496½	—
2nd " "	477½	325½	57	382½	+ 95	591½	—
Half-year	638½	534	324½	858½	— 220	591½	542½
		83.7%					
3rd Quarter...	341½	117½	55	172½	+ 169	760½	—
4th " "	687	399	82	481	+ 206	966½	—
Half-year	1,028½	516½	137	653½	+ 375	966½	895½
		80.9%					
1943							
1st Quarter...	449	296	150½	446½	+ 2½	969	—
2nd " "	745½	569½	219½	789	— 43½	—	—
Half-year	1,194½	865½	370	1,235½	— 41	925½	—
		84.2%					
Three Years ..	4,715½	2,694½	1,095½	3,790	+ 925½	925½	—
		76.5%					

have reached their peaks during the big savings campaigns, particularly during the first quarter of 1942, which included the bulk of the Warships Weeks when pre-encashments were actually heavier than the redemptions of TDRs held to maturity. To complete the table, the holding of TDRs by the clearing banks has been contrasted at the end of each half-year with TDRs outstanding on these dates. This week it was announced in the Commons that of the TDRs encashed up to June 30th last the proceeds of about £525 million had been subscribed to the Government's 2½ per cent National War Bonds and £225 million to the two 3 per cent loans. As the total of pre-encashments up to that date amounted to £1,095,500,000, this would leave £345,500,000 to be accounted for, mainly by the conversion of TDRs into tax reserve certificates.

National Union of Railwaymen

The main issues which the National Union of Railwaymen discussed at their annual conference this week have

been, first, the wages increase; secondly, post-war control of the railways; and thirdly, the union organisation of railway workers. The acceptance by the unions' executives of a 4s. 6d. increase instead of the 10s. originally asked for has, as might be expected, proved unpopular with the rank and file. The union leaders were criticised for not having done better, and the view was strongly expressed that as the Government and railway stockholders had done so well out of the wartime arrangement, it was only fair that railway workers should derive an equal share of the cake. In fact the rent paid by the Government to the railway companies is only slightly above average pre-war net revenues, while the wages bill rose by 44 per cent between 1938 and 1942, with a slight decrease in the numbers employed. Nevertheless, from the point of view of the public interest, the unions' action in not pressing for the full demand at this stage is both realistic and patriotic. The conference passed a resolution calling for the nationalisation of all forms of transport at the earliest possible moment. While it is obviously reasonable to view the transport system as a whole, doubts may well be raised about the practicability of nationalising the multiplicity of road transport organisations. The NUR has recently been active in pressing for a reorganisation of the trade union movement, in order to avoid overlapping and divergence of policy. The railway unions have themselves taken practical steps to implement this policy—their claim for a wage increase was presented jointly with the Railway Clerks' Association and the Amalgamated Society of Locomotive Engineers and Firemen, and a national joint committee of the three unions has been set up to consider further action. Negotiations are still going on, but it seems unlikely that a complete merger will be reached of the three unions. The NUR itself has a membership of over 400,000, against the railway clerks' 78,000 and the locomotives' 61,000, and there may well be a desire on the part of the smaller, more specialised, unions to preserve their independence.

Weakness of Preference Shares

The June figures of *The Actuaries' Investment Index* show a fall in the value of industrial equities, the second in twelve months. This leaves the total index still above the end-April level, and it is probable that a considerable fraction of the June loss will already have been made good by this time. The features of the industrial list are sharp falls in aircraft and iron and steel shares and rises of corresponding importance in gas and oil. More interesting is the fact that there is a much sharper recession in

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	June 30, 1942	April 25, 1943	May 25, 1943	June 29, 1943	June 30, 1942	May 25, 1943	June 29, 1943
2½% Consols	146.6	144.7	143.6	143.0	3.04	3.11	3.12
Home Corps. (4)	141.5	143.3	142.8	142.5	3.29	3.26	3.27
Total Ind. Debs. (43) ..	117.4	121.9	121.3	121.2	4.04	3.91	3.92
Total Ind. Pref. (101) ..	103.8	112.7	112.0	110.8	4.55	4.33	4.37
Aircraft Mfg. (5)	53.5	70.6	70.7	67.4	10.11	7.54	7.88
Elec. Light & Power (16) ..	109.4	113.4	113.4	113.0	4.30	4.13	4.14
Gas (8)	73.4	91.7	95.2	97.2	3.21	3.13	3.06
Iron & Steel (18)	53.1	67.5	68.4	66.3	6.21	5.51	5.68
Oil (4)	45.9	72.6	75.5	78.6	5.37	3.16	3.04
Total Productions (90) ..	62.0	76.3	77.3	76.7	5.29	4.49	4.59
Home Rails (4)	45.4	78.8	79.9	80.4	7.64	5.43	5.43
Total Distributive (28) ..	48.9	66.5	66.7	66.6	4.77	4.06	4.09
Total Miscellaneous (40) ..	68.7	82.2	82.1	81.9	4.96	4.24	4.26
Industrials— (All Classes) (159)	60.4	75.1	75.7	75.3	5.11	4.35	4.42

industrial preference shares. The decline in fixed interest stocks, which began with long-term gilt-edged in February and spread to industrial debentures in March, only commenced in preference shares in May. In two months, however, the fall has sufficed to put back the index to the level of mid-February. Despite a number of considerable rises in certain Government stocks—mainly short-dated—during June, this index shows a continuance of the steady decline in this section, a movement since reversed.

What is Revenue?

Study of the judgment in the case of the *Imperial Tobacco Company v. H.M. Inspector of Taxes*, recently decided against the company in the Court of Appeal, suggests that there exists a striking discrepancy between the legal definition of revenue and that which would seem desirable in the public interest. The essential point of the case was that the company had bought dollars to pay for tobacco leaf. Before the purchase was made, the Treasury requisitioned the dollars at the new price, which gave the company a profit in sterling. They claim this is a capital profit; the Master of the Rolls decided that it was a revenue profit, and he made it clear that his judgment would have been the same had the profit been made on a purchase of any commodity. Apparently, the reason for so deciding was that the purchase of dollars was made in the course of a transaction on revenue account. In the course of his judgment, the Master of the Rolls referred to, and endorsed, the findings of the *McKinlay* case, in which a profit, made on a purchase of lira, was deemed to be a speculation and, as such, a capital transaction. These two cases provide a fairly clear definition, on very high authority, of what is a capital and what a revenue profit. Both were tax cases, and it is possible that it was only with the question of whether the receipt should rank for tax in their minds that the judges concerned reached their decision. However that may be, the result is not desirable. In the case of *Imperial Tobacco*, it is clear that the "profit" on the sale of the dollars is not a sum which ought to be considered to be at the disposal of the directors for any purpose they think fit. Without attempting to assess the post-war value of the dollar, it is clear that the company must regard the profit on the sale as a reserve which may very probably be needed to enable them to purchase adequate stocks of leaf, whereas in the *McKinlay* case the profit could have been distributed to the extent that the operation was a speculation and not one undertaken in the course of financing a normal business which involved trading with Italy in lira. Some accountants would contend that all is well if the money capital of a company is intact. A sounder view is that the funds of the company should be maintained at a level which will permit the maintenance of physical turnover despite a fall in the value of money. Even those who hold the former view would, probably, not be prepared to advise Imperial Tobacco to distribute the profit under consideration. It is essential that the legal and Inland Revenue definitions of what is revenue should be brought into much closer relationship with the sums which a prudent business man would regard as being available for distribution or addition to free reserves.

Canadian Holdings

The figures of British holdings of Canadian securities, given by Mr J. L. Ilsley, Canadian Minister of Finance, reach an impressive total of \$586,900,000 and £107,700,000, that is over £250 millions in all. These are at market prices at the end of last year and they include, besides some equities which are household words, the bonds of cities, some in default which stand well below par. It has been suggested in the past that these securities might be "vested" after the war in order to redeem the interest free loan which arose from the funding of Canadian holdings of British Treasury bills, but there is apparently no such intention on the part of Mr Ilsley. He regards the line taken by Canada in the matter of taking over securities as similar to that of India and South Africa and it will be welcome news to holders of such shares as International Nickel that he considers the continuance of British holdings of Canadian stocks as in the mutual interest of the two countries. This is no doubt the proper view to take of the matter, especially in view of the Dominion's increased ability to export after the war, but it is not every country which sees even its own interest as clearly as does Canada, possibly because few are prepared to take so much account of the other fellow's point of view. It seems probable that the British investor will continue to hold a considerable stake in the Dominion after the war, but the question remains of how the interest-free loan is to be settled. That, however, must be left for treatment in the final clearing up of commitments which should follow the end of the present hostilities.

Debate on Forestry

On Tuesday the House of Commons debated the 50-year plan for forestry prepared by the Forestry Commissioners and published as a White Paper (Cmd. 6447) last month. The plan, which was summarised in *The Economist* on June 12th, provides for a forest area 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 millions; an alternative and more modest programme of planting 875,000 acres during the first decade would involve an outlay of £32 millions, compared with a net outlay of £13.8 millions on a corresponding pre-war basis. Sir William Jowitt, Minister without Portfolio, encouraged the Forestry Commissioners to take such steps as are now open to them to prepare for an extension of planting, for the reserve of standing timber is likely to be negligible at the end of the war. At the same time he informed the House of Commons that the Government had not yet reached a decision about the scale of planting, but that, in view of other commitments, the "desirable programme" may have to be pruned. The considerations which should shape the forestry programme are the same as those which should determine agricultural policy. A reserve of standing timber is no doubt desirable, indeed essential; but the problem is to decide, on economic grounds, how much should be invested in it and whether timber could be secured more cheaply from abroad in exchange for goods and services.

* * *

Aircraft Production

In the House of Commons on Wednesday Sir Stafford Cripps referred to the rumours now "being put about, perhaps by people who are interested in the old management" of Short Bros., to the effect that production had decreased since the assumption of control. These are in flat contradiction of the Minister's statement a week ago that output had shown a marked increase during the past month, though it was too early to form a considered judgment. It is to be hoped that a definite statement will be issued as soon as possible, since ill-informed gossip can only be harmful in its effects. There is another matter which MAP might investigate—the shop stewards of a group of aircraft factories in Greater London which is engaged on the manufacture of a heavy bomber, have made serious allegations about defects in the organisation of production in the group. They complain that in most of the factories in the group there is a complete lack of co-operation between the management and the workers, and a consequent failure to make the joint production committees function effectively. One factory, the key to the whole group, is said to be causing a serious bottleneck, and is thereby holding up production in the remainder. The shop stewards allege that only 15 per cent of the machine shop capacity in this plant is now being utilised, and that there is an excessive amount

of idle time; they complain about the absence of proper progressing and planning; the lack of effective supervision; a lack of balance in the machine shop resulting in persistent shortages and excessive scrap, and a misuse of skilled labour, and many other defects. They claim that output could be doubled, since other firms engaged on the same bomber produce twice as many a week, with the same number of men. While it is impossible for the layman to judge the merits of the case, it is apparent that the shop stewards are restive, and that dissatisfaction is spreading throughout the workers of the group. Their allegations should be investigated, and it seems reasonable, as they suggest, that there should be better co-ordination between factories engaged on the same product, and a joint production committee to cover the entire group. If it is not possible to increase production, then the workpeople should be given the reasons—in general, if not in detail. Sir Stafford Cripps himself has often acknowledged the value of the joint production committee machinery, and welcomed the workers' interest and initiative in production. If this interest is not encouraged, a sense of frustration may well set in.

* * *

Workers' Incomes

The partial census of the earnings of workers, taken by the Ministry of Labour in respect of the last pay-weeks in January and July, reveals changes in the absolute and relative money earnings of men, women, boys and girls in the majority of industries. Among the industries not yet covered by the census, agriculture, coal-mining, railways and merchant shipping are the most important. The table at the foot of this page summarises the results of the census taken last January, and it shows the percentage changes in earnings since October, 1938, and since July, 1942. In order to overcome the statistical difficulty arising from the fact that the returns cover a higher proportion of workers in some industries than in others—the total number of workers included in the census is about 6½ millions—the returns have been adjusted on the basis of the estimated number of persons employed in each industry. The figures tell their own story. The general trend of earnings has continued upwards, but the earnings of women have risen appreciably faster than those of men. The decline of earnings in the building industry and among boys requires comment. The one is due to the shorter working week in winter and to the new restrictions on overtime and Sunday work; the other may be ascribed, apart from the shorter working week in some industries, to the reduction in the average age of youths caused by the lowering of the age of call-up. The rise in average earnings since October, 1938, is the combined result of a number of factors. The transfer of workers from industries and occupations in which wage rates were relatively low to others with a higher level of wage rates played an important part; if workers had been employed in January, 1943, in the same proportions as they were employed in the various industries in October, 1938, the rise in earnings would have been 54 per cent for men, against 64.9 per cent;

(Continued on page 59)

AVERAGE EARNINGS IN JANUARY, 1943, COMPARED WITH EARNINGS IN 1938 AND 1942

Industry Group	Average Earnings in the Week ended 18th July, 1942					Average Percentage Increases between Oct., 1938, and Jan., 1943					Percentage Increase or Decrease (—) between July, 1942, and Jan., 1943				
	Men (21 years and over)	Youths and Boys (under 21 years)	Women (18 years and over)	Girls (under 18 years)	All Workers	Men	Youths and Boys	Women	Girls	All Workers	Men	Youths and Boys	Women	Girls	All Workers
Iron, stone, etc., mining and quarrying	s. d. 90 9	s. d. 48 5	s. d. †	s. d. †	s. d. 84 3	% 51.3	% 60.5	% ...	% ...	% 48.7	% 2.6	% -0.7	% ...	% ...	% -0.1
Treatment of non-ferrous metals and quarry products	105 4	50 10	58 3	35 11	93 1	58.6	63.5	96.3	100.5	52.6	2.1	-2.7	9.7	0.0	2.2
Brick, pottery and glass	99 9	43 1	47 1	28 0	74 5	57.9	55.7	69.2	88.8	56.1	2.2	-1.4	6.0	9.8	3.8
Chemical, paint, oil, etc.	110 9	42 6	61 4	29 2	85 8	59.9	44.5	87.8	60.6	55.8	2.6	2.0	8.7	11.8	5.8
Metal, engineering and shipbuilding	131 6	48 3	66 5	37 4	103 0	75.3	85.0	99.3	87.4	72.6	2.7	0.0	9.6	10.6	3.5
Textiles	93 5	40 4	50 3	33 5	61 5	63.2	68.1	58.3	69.9	62.3	3.3	-1.8	3.8	3.9	3.7
Leather, fur, etc.	99 7	41 0	48 9	30 2	71 9	55.4	61.8	39.6	72.4	53.5	2.6	0.8	3.7	4.3	4.6
Clothing	95 0	37 8	48 4	28 11	52 6	47.9	52.2	47.6	65.2	50.0	4.1	-0.2	2.6	4.2	2.6
Food, drink and tobacco	96 9	39 5	47 11	28 8	68 11	48.3	40.4	45.6	60.9	46.6	4.0	0.4	4.3	3.0	4.2
Woodworking	96 4	36 10	53 9	31 6	74 5	45.4	57.9	59.7	80.9	43.6	0.9	-3.1	4.4	6.5	0.5
Paper, printing, stationery, etc.	107 6	32 1	46 10	25 6	76 2	27.6	30.1	37.4	50.2	32.3	1.8	-1.3	3.9	4.4	3.4
Building, contracting, etc.	94 8	43 11	52 5	†	87 10	43.4	71.1	...	...	43.6	-7.1	-18.6	1.8	...	-7.1
Miscellaneous manufacturing industries	115 2	46 4	54 5	32 8	78 6	66.7	73.8	71.4	77.4	68.8	2.7	0.4	5.8	-3.5	5.4
Transport, storage, etc. (excl. railways)	99 9	43 6	67 2	†	90 7	42.5	60.6	92.4	...	38.3	0.7	2.5	-0.4	...	0.8
Public utility services	84 1	36 0	44 11	26 0	76 10	33.3	30.5	62.3	21.4	28.8	0.6	-1.6	5.3	-3.7	0.8
Govt. industrial establs.	121 11	45 1	72 2	41 2	97 7	62.0	38.4	61.3	...	38.4	0.1	-2.2	3.5	6.7	2.7
All the above	113 9	45 1	58 6	32 1	87 11	64.9	72.8	80.0	73.4	65.1	2.2	-2.3	8.0	6.5	3.2

* In calculating the averages for women and for all workers, given in this table, women employed as part-time workers for not more than 30 hours a week have been included. on the basis of two part-timers taken as representing one full-timer.

† The number returned in this group was very small.

SEEING

YOU are using your eyes now to read this. Your sense of sight is in use all day long, every minute you are awake. Have you ever realised how dependent you are on it? Reading or writing, walking or driving, recognising friends, choosing and eating your food, you are using your eyes to see all the time.

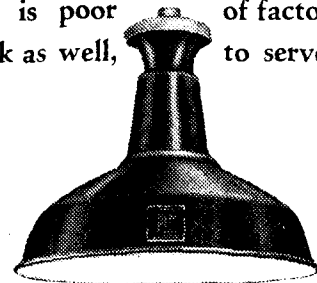
If the light is not good you will be uncomfortable, you will not be able to do any of these things as well—but of course you would not put up with it, you will soon have that lighting improved.

But if it affects you it also affects your workers. If their lighting is poor they will not be able to work as well,

they will waste the materials you have provided, your machines will not work so efficiently as they should, your money will be wasted.

Of course you will not allow your works to be badly lit, any more than you will put up with poor lighting in your own office. You need the best lighting for your workpeople to suit their particular requirements. That means Benjamin Lighting.

Benjamin are specialists in industrial lighting. For more than a lifetime Benjamin have studied lighting in theory and in practice, in every kind of factory. Benjamin know how best to serve your needs.



BENJAMIN LIGHTING

The Benjamin Electric Ltd., Brantwood Works, Tottenham, London, N.17

Telegrams: "Benjalect, Southtot, London."

Telephone: Tottenham 5252 (5 lines)

COMPANY MEETINGS

AMALGAMATED PRESS,
LIMITED

INCREASED PROFITS

The annual general meeting of the Amalgamated Press, Limited, was held, on the 1st instant, in London.

Viscount Camrose, the chairman, in the course of his speech, said: The trading for the year has resulted in a profit of £973,000, an increase over the previous year of £223,000. Obviously, a great deal of this increased profit is due to the circumstances of war. Apart, however, from what can be described as the regulated economy of war-time production, there is another factor which, as I noted last year, has contributed largely to the profits—namely, the abandonment of peace-time policies of a doubtful economic nature. I instanced the question of unrestricted returns, which cost the industry many hundreds of thousands a year; and the distribution of contents bills on such a wholesale scale that a large percentage were just sheer waste of material and labour. These were two definite savings which have most materially affected the results of every publishing house in the country, newspaper and periodical.

I repeat the hope which I then expressed that when peace comes we shall have too much sense to resume these wasteful practices.

While our profits have risen by the substantial sum which I have just mentioned, the provision for tax has likewise sharply increased. Whereas last year we put aside £350,000 for this purpose, the accounts before you show that we have now to provide £562,000. This is in addition to the tax on the debenture interest, which is shown in the accounts as a gross figure. The increase in profits therefore goes almost entirely to the Government. We have, however, been able to increase the ordinary dividend to its pre-war figure of 11 per cent, and once again place £100,000 to the general reserve. The carry-forward is £221,000 against £218,000 brought in.

PERIODICALS' WAR-TIME SERVICES

The improved results have been achieved despite a further reduction in the amount of paper available and a substantial increase in price. There is no immediate prospect of any increase in the ration allowed to the industry, but there is reason to hope that we have now reached rock bottom in this matter of supplies.

Much has been said of newspapers in war-time and the essential contribution they make to the prosecution of the national cause. After nearly four years' experience few will be found to dispute this estimate. In the same way there is a great deal to be said for the value of the periodical. Just as people flock to cinemas and theatres and to other entertainments which give relief from the everyday strain of life under present conditions, so do the public turn to periodicals of all kinds with a similar object in view.

It must be noted, however, that most periodicals to-day do not exist for entertainment only. A large proportion of their contents is devoted to information and advice on subjects connected with the war effort. They also supply their readers with valuable and, indeed, essential information on foods, cookery, fuel and other special difficulties encountered in the homes of our people at the present time. Amalgamated Press editorial departments are in almost daily touch with the Government departments concerned with home affairs, and I am sure that they would willingly endorse what I have said of the value of the periodical Press to the nation to-day.

Our large investment in Kelly's Directories, Limited, after starting the war badly, has made an excellent recovery. During the year the company has resumed its practice of interim dividends and paid 5 per cent. in December last.

The report was adopted.

HAWKER SIDDELEY
AIRCRAFT COMPANY,
LIMITEDMR T. O. M. SOPWITH'S
STATEMENT

The annual general meeting of the Hawker Siddeley Aircraft Company, Limited, will be held, on the 15th instant, at the May Fair Hotel, London.

The following is an extract from the statement of the chairman, Mr. T. O. M. Sopwith, C.B.E., F.R.Ae.S., circulated with the report and accounts:—The board is satisfied with the liquid position of the company. Interim dividends of 15 per cent., less tax, and 17½ per cent., less tax, have already been paid, making a total for the year of 32½ per cent., less tax. This total is the same as that distributed last year, and it is not proposed to pay any further dividend for the year. The amount to be carried forward is £316,760.

The contribution made by the products of the operating companies to the equipment of the Allied Forces continues to be of increasing value and greater importance. Their names—Hurricane, Gladiator, Anson, Whitley, Lancaster, Typhoon—are household words, and the list of achievements to their credit is legion. I would instance one in particular, the assault on the Mohne and Eder dams, carried out by Lancaster aircraft—an outstanding achievement of the year, and one which has dealt the enemy a blow from which recovery is doubtful before the end of the war.

The restrictions so necessary under to-day's conditions make it impossible for me to give you a complete picture of the activities of this group and the exact nature of its products.

POST-WAR POSITION

That the aircraft industry cannot continue at to-day's level under post-war conditions is apparent. I do not, however, anticipate a falling off to the extent recently indicated in the Press.

As a group our principal interest is in aviation. Our military types are among the best in the world. I cannot contemplate any authority acting otherwise than to ensure a strong air arm.

The future of civil aviation, or, as I prefer to regard it, air transport, has been prominent of late. It is a subject which is of primary importance to the British Empire, and the need for an official statement of policy cannot be over emphasised. The difficulties are appreciated, but a broad indication is nevertheless essential if plans to deal with post-war conditions are to mature successfully. Our immediate interest is as producers, not operators, but our concern is mutual.

THE AVRO-YORK

We have now in production—and some passing reference has been made in other places to the type—a transport machine which I believe will form the main equipment of British operators in the immediate post-war years. I refer to the Avro-York. It is not permissible to supply details, neither may we release photographs, but the York, although based on the technical merit of the famous Lancaster bomber, has been adapted for transport work. It can operate economically over short or long routes on passenger, freight or special purpose duties, and in my opinion is the best of its type in the world to-day. It will be available to potential post-war operators immediately hostilities cease. Meanwhile, more advanced types are in development, and the knowledge gained under war conditions of assisted take-off, glider towed freighters, and high altitude operation will be turned to advantage.

Not only have your board considered these projects. They anticipate a demand for certain of their pre-war products—including the Armstrong-Siddeley car, which it is anticipated will be available with new and attractive features—and arrangements are in being to meet such demand.

"SHELL" TRANSPORT AND
TRADING COMPANY,
LIMITEDDEMAND FOR PETROLEUM
PRODUCTS

The annual general meeting of the "Shell" Transport and Trading Company, Limited, was held, on the 6th instant, in London, the Rt. Hon. Viscount Bearsted, M.C., presiding.

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

The mounting increase of offensive operations by the United Nations in the air, on land and by sea has naturally affected the demand for petroleum products both in quantity and quality. The Group is playing its full part in meeting these demands and additionally, as a result of our research operations over so many years, we have been able to place at the disposal of the United Nations certain special processes which are of great importance to the war effort in providing some of the finer and more valuable petroleum products. Our research continues along the broadest lines and I have no doubt that the future will prove the wisdom of our having maintained these comprehensive organisations.

I am still not in a position to reveal any details of the operation of the Group's fleets, but I am sure you would not wish me to let this annual review go by without once again recording our appreciation of what the Group's fleet has done and is continuing to do. Nothing could illustrate more clearly the magnificent behaviour of our officers and men than the number of decorations awarded to them. Our Marine department is keeping fully abreast of the times. Research is constantly going on to ensure that such new vessels as we are building now and those we hope to build after the war shall be of the most up-to-date type.

In the United States in 1942 industry was geared to produce the maximum quantities of war materials, the demands for which were of such magnitude as to challenge its resourcefulness to the fullest extent. The oil industry has carried out its part of the war programme with vigour and efficiency, and in this connection the Shell Union Group of companies has been able to make a notable contribution to the war effort. Shell Union's trading results for 1942 are comparable with the previous year, in spite of the many difficulties it has had to face.

In Venezuela those companies in which we are interested have recently been carrying on negotiations relative to a proposed new Petroleum Law and to modifications in the terms of existing concessions. Those negotiations have been concluded and the new Petroleum Law passed. Whilst the cost of Venezuelan production will certainly increase, the Venezuelan Government on their side will grant new concessions with extended life.

The report was adopted.

WM. CORY AND SON,
LIMITED

The forty-seventh annual general meeting of Wm. Cory and Son, Limited, was held, on the 8th instant, in London.

Sir Arthur Cory-Wright, Bart., the chairman, said that the accounts showed a net profit of £675,587, an increase of some £9,000 compared with the previous year. After payment of the final dividend of 15 per cent. on the ordinary and employees stock, making 20 per cent. for the year £1,121,446 remained to be carried forward to next year's account. The accounts revealed a position of outstanding financial strength.

The supply of fuel of all description for the needs of industry and the mercantile marine, at home and overseas, was a task which had been carried on with unremitting attention under conditions which become increasingly difficult.

The report was adopted.

(Continued from page 56)

58 to 59 per cent for women, against 80 per cent; 65 per cent for youths and boys, against 72.8 per cent; and 66 per cent for girls, against 73.4 per cent. The relatively bigger advance in the earnings of women and youths than those of men is due largely to the fact that many of them are doing a "man's job." Next wage rates in the industries covered by the census rose by 26-27 per cent. But this still leaves the more than half of the rise in earnings unaccounted for. The difference is the result of fuller employment, with longer working hours and an increase in night shifts, and the extension of the system of payment by results. Much the greater part of the increase in the earnings of workers since 1938 is, in fact, ascribable to factors, some of which will cease to operate after the war. But the average increase in wage rates alone has been of the same order as the rise in the official cost of living index.

Bowater-Lloyd Payments

The Boards of the Bowater-Lloyd group of companies are to be congratulated upon having abandoned their idea of proposing a scheme for funding the arrears of dividend on the various preference capitals of the group. As has been pointed out on many occasions when dealing with schemes advanced by other boards, no scheme can be drawn up under existing circumstances, when the vital question of turnover cannot be assessed with any degree of accuracy, which does not risk doing grave injustice to one class of shareholder or another. The fact that schemes have in some cases received a wide measure of acceptance despite the fact that the future could not be gauged reflects a weakness on the part of the shareholder for certainty in the short run. The Bowater directors have decided that, instead of holding all earnings in reserve they will commence distributions in cash on account of arrears as soon as the accounts for September 30th are available. The dividends are in arrears for, approximately, four years and the sum involved is of the order of £1,000,000 gross. In the cases of Bowater's Paper Mills and Edward Lloyd senior preference payments of £52,000 and £84,000 gross, respectively, have to be cleared before the junior preference holders can receive anything. Payments are likely to be modest, unless there is a draft on past accumulations, and it seems probable that a funding scheme will eventually be necessary. The preference shares were marked down a trifle on the announcement, but there is no indication of any selling.

Correction

In a Note on page 22 of *The Economist*, last week, it was stated that the original preference shares of Messrs King and Shaxson bore interest at 15 per cent. This should have been 5 per cent, and the new capital consists of an additional 200,000 preference shares, which rank *pari passu* with those originally issued.

COMPANY RESULTS

Definitions of terms used in these tables are as follows:

Net fixed assets include everything from land to loose tools, less any distinguishable provision for writing them down.

Net inter-company items include holdings in, and loans and advances to, subsidiaries and associates, plus trade investments, minus all sums, other than dividends of the company, due to subsidiaries and associates.

Net liquid assets include all other assets less current liabilities, bank loans and profit and loss appropriations not retained as additions to reserves, carry forward, or other established funds.

Company Results

Associated Portland Cement

Largest member of cement industry, controls British Portland Cement and the "Blue Circle" group.

	Years to December 31,		
	1940	1941	1942
Trading profit†.....	749,669	1,214,520	1,178,434
Total income‡.....	1,197,298	1,699,970	1,639,176
Taxation.....	...	542,500	498,500
Deb. interest and sinking fund	240,500	240,500	240,500
Depreciation.....	417,150	417,150	400,794
Preference dividends.....	137,500	137,500	137,500
Earned on Ordinary.....	402,148	362,320	361,882
Paid on Ordinary.....	400,000	360,000	360,000
Earned %.....	10.0	9.1	9.0
Paid %.....	10	9	9
Carry forward.....	215,328	217,648	219,530

Net fixed assets.....	5,029,642	4,528,288	4,091,606
Net liquid assets*.....	1,267,738	1,759,747	2,263,054
Net inter-company holdings..	4,531,218	4,507,650	4,521,521
Investments and tax certs. ...	752,196	1,102,000	2,209,033

† After tax. ‡ After directors' and trustees' fees.
* Figures based on revised accounts which include contingencies and provision for tax on earnings of the year of account under reserves and not under creditors as was the custom prior to 1943.

The £1 ordinary shares yield £3 2s. 7d. per cent at their current price of 57s. 6d. ex dividend.

Union Castle Mail Steam

Normally engaged on South African route.

	Years to December 31,		
	1940	1941	1942
Total income.....	£834,994	2,300,620	2,029,970
Depreciation*.....	52,981	1,234,229	934,105
Taxation.....	...	650,000	815,000
Interest.....	174,009	103,583	95,920
Deferred repairs†.....	400,000	150,000	...
Preference dividend.....	88,710	90,490	89,779
Earned on Ordinary.....	119,294	72,318	95,166
Paid on Ordinary.....	68,500	77,173	68,500
Earned %.....	8.7	4.7	6.9
Paid %.....	5	5	5
Carry forward.....	238,977	234,122	260,788

Fleet less depreciation.....	9,011,705	7,834,384	5,594,372
Fleet replacement account...	1,202,511	1,569,969	3,255,950

Net fixed assets.....	8,711,511	7,173,041	2,986,744
Net liquid assets.....	Dr. 1,091,093	545,271	4,888,418
Net inter-company holdings..	530,898	514,850	495,630

Gross liquid assets.....	1,736,285	2,537,612	7,174,952
Govt. investments and tax res. cert.	749,531	969,531	2,660,000
Govt. Tonnage account.....	194,300	283,900	1,167,500

† After tax and depreciation.
* Written off investments in 1940, 1942 total includes £5,610 for same purpose.

† £350,000 to Fleet replacement account and £50,000 to staff fund in 1940.

The £1 ordinary stock at 17s. ex dividend yields £5 17s. 8d.

COMPANY MEETINGS—continued

LONDON ASIATIC RUBBER
AND PRODUCE COMPANY,
LIMITED

MR H. J. WELCH'S SPEECH

At the annual general meeting of the London Asiatic Rubber and Produce Company, Limited, held, on 5th instant, in London, the chairman, Mr H. J. Welch, said: "We have unfortunately no news of what has been happening on the company's estates since they were occupied by the Japanese invaders. Doubtless tapping, on smallholdings and

on estates, has been continued sufficiently to supply all the rubber which could be put to any sort of use by the Japanese, including perhaps a considerable reserve stock. Our European estates staff numbered twenty men, of whom six are serving in the Forces, seven have been reported by the Japanese as prisoners of war, and three as civilian internees. We fully expect that the names of the other four men will be added. Expenditure includes the provision made, as authorised at our meeting of a year ago, for the Estates staff and their dependants.

The Revenue account shows a debit balance of £4,797, which falls to be deducted from the balance of £100,437 brought forward, leaving a credit balance

of £95,640. The net total of the liquid assets is £294,427—more than 30 per cent of the issued capital. This net figure is arrived at after deducting known liabilities (including liabilities in the East) and what we believe is ample provision for United Kingdom taxation. To provide for the reconditioning of the estates after we resume occupation and for other contingencies which cannot yet be foreseen, we have created the "Reserve for Special Contingencies" which stands at £106,646. We look forward to the time when our estates will again be earning profits from the production of rubber, which will remain an indispensable commodity.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

Investment

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. Shares*	20 Fixed Int.*
July 1	4,979	2,927	98.6	133.9
" 2	5,174	2,939	98.7	133.9
" 5	7,003	3,989	98.8	134.0
" 6	5,507	3,286	98.8	134.0
" 7	5,614	3,124	99.1	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, 133.9 (July 2).

New York

STANDARD STATISTICS INDICES (1935-36=100)

(WEEKLY AVERAGES)

	1943		June 16, 1943	June 23, 1943	June 30, 1943
	Low Jan. 6	High June 30			
347 Industrials	81.1	100.9	98.2	98.4	100.9
32 Rails	72.6	98.5(b)	92.0	92.3	94.9
40 Utilities	67.9	86.0	83.7	83.6	86.0
419 Stocks	78.5	98.2	95.5	95.7	98.2
Av. yield %*	5.36	4.43	4.56	4.54	4.43

(b) May 5. * 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

	June 24	June 25	June 26	June 27	June 29	June 30
120.8	122.1	122.6	122.9	122.5	123.1	

1943: High, 123.1, June 30; Low, 99.5, Jan. 2.

Total share dealings: July 1, 1,153,000; July 2, 893,000; July 3, 452,000; July 5, Market Closed; July 6, 962,000; July 7, 709,000.

* Two-hour session only.

Capital Issues

Week ending July 10, 1943	Nominal Capital £	Con- versions £	New Money £
By Permission to Deal	400,000	...	384,000
Particulars of Government issues appear on page 61.			
Year†	Including Conversions £	Excluding Conversions £	
1943	1,011,580,632	995,550,984	
1942	843,360,558	826,095,444	

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Pref.	Ord.
1943	993,336,622	1,375,685	638,677	987,463,898	1,134,850	6,752,236
1942	885,690,982	349,272	55,190	829,542,422	680,476	5,872,546

* Conversions Excluded. † Includes Government issues to June 29, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Industry and Trade

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

	July 1, 1943	July 2, 1943	July 5, 1943	July 6, 1943	July 7, 1943
Crops	118.3	118.3	118.3	118.6	118.6
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	146.9	146.9	146.9	147.1	147.1

	Mar. 31, 1937*	Aug. 31, 1939	July 5, 1943	June 7, 1943	June 30, 1943
Crops	147.9	92.2	117.8	117.9	118.3
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	142.7	146.6	146.9

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937*	Aug. 30, 1939	June 23, 1942	June 8, 1943	June 22, 1943
Cereals and Meat	93.0	66.9	109.0	110.6	110.8
Other Foods	70.4	61.1	101.6	107.5	107.5
Textiles	74.2	54.3	92.5	94.2	93.7
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	110.5	114.9	114.8
1913=100	119.9	90.8	152.1	158.0	157.9

* Highest level reached during 1932-37 recovery.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	May 1, 1943	June 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, chilled 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	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	...
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	1
Sugar (gran.)	0 6½	0 9	0 9	32
Milk (per qt.)	1 4½	1 8	1 8	27
Butter {fresh	1 3½	1 1	1 1	31
{salt	0 10	0 9	0 9	30
Cheese	0 6½	0 5	0 5	12
Margarine, special	0 1½	0 1½	0 1½	1
" standard	0 2	0 2	0 2	5
Eggs, fresh (each)	0 6½	0 6½	0 6½	...
Potatoes (per 7 lb.)	0 6½	0 6½	0 6½	...
Index all foods weighted (July, 1914=100) ...	138	165	165	20

Source: Ministry of Labour Gazette.

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, April	88	105	105	+ 3.8
" May	91	100	100	+22.0
1943, April	102	101	98	- 6.7
" May	105	98	95	- 5.0

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 September, 1942.

Dried Eggs.—Grocers are being compensated for any loss incurred by the reduction in the price of dried eggs from 1s. 9d. a packet to 1s. 3d., which was made from June 27th. For one packet in every eight of their current allocation they will pay 9d. instead of the new price of 1s.

Points Changes.—The points value of biscuits and condensed milk was altered from the beginning of the new ration period on June 27th. Unsweetened biscuits are now two points per lb. instead of one; sweet and semi-sweet biscuits six instead of four; and chocolate biscuits twelve instead of eight. The points values of standard full-cream sweetened condensed milk are lowered by a quarter, and those of skimmed condensed milk doubled. There is no change in the individual points ration, which remains at 20.

Nuts and Bolts.—Alterations in the present controlled maximum prices of certain types of bolts and nuts are contained in the Control of Bolts, Nuts, Screws, Screw Studs, Washers and Rivets (No. 2) Order (S. R. and O., 1943, No. 884), issued by the Minister of Supply. The price list has also been extended to cover some types of aircraft bolts and nuts. The Order came into force on July 1st.

(Continued on page 64)

Finance

BANK OF ENGLAND RETURNS

JULY 7, 1943

ISSUE DEPARTMENT

£	£
Notes Issued:	Govt. Debt... 11,015,100
In Circulation... 949,585,919	Other Govt. Securities... 988,100,575
In Bankg. Department... 50,655,799	Other Secs... 874,324
	Silver Coin... 10,001
	Amt. of Fid. 1,000,000,000
	Issue... 241,718
	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. ... 166,947,838
Rest... 3,317,873	Other Secs. ... 21,162,473
Public Deps. ... 7,910,850	Discounts & Advances... 4,330,747
	Securities... 16,831,726
Other Deps. ... 161,329,187	Notes... 21,162,473
Bankers' ... 52,594,540	Gold & Silver Coin... 939,340
Other Accts. ... 213,923,727	
239,705,450	239,705,450

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

COMPARATIVE ANALYSIS

	1942	1943
Issue Dept.:		
Notes in circulation	807.4	947.7
Notes in banking department	22.8	52.5
Government debt and securities*	827.4	999.2
Other securities	0.8	0.8
Silver Coin	0.2	0.2
Gold, valued at s. per fine oz.	168.00	168.00
Deposits:		
Public	10.3	7.3
Bankers'	146.5	148.9
Others	47.9	54.2
Total	204.7	210.4
Banking Dept. Secs.:		
Government	171.7	153.7
Discounts, etc.	5.6	5.0
Other	21.1	15.9
Total	198.4	174.6
Banking depart. res.	24.2	53.5
" Proportion "	11.8	25.4

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £950 million to £1,000 million on April 13, 1943.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE Million \$'s

	July 2, 1942	June 17, 1943	June 24, 1943	July 1, 1943
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	20,551	20,189	20,272	20,171
Total reserve	20,825	20,609	20,610	20,582
Total cash reserves	2,728	3,671	3,844	3,571
Total U.S. Govt. secs.	2,742	6,650	6,780	7,220
Total bills and sec.	24,821	20,441	29,253	29,599
LIABILITIES				
F.R. notes in circ.	9,409	13,656	13,635	13,822
Excess m. bank res.	2,260	1,630	1,300	1,210
Mr. bank res. dep.	12,191	12,511	12,243	12,084
Govt. deposits	485	6	294	455
Total deposits	14,018	13,775	13,903	14,022
Total liabilities	24,821	29,441	29,253	29,599
Reserve ratio	88.9%	75.1%	74.8%	73.8%

	July 2, 1942	June 17, 1943	June 24, 1943	July 1, 1943
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,735	22,407	22,387	22,382
Treasury & bank currency	3,314	4,080	4,079	4,082
LIABILITIES				
Money in circulation	12,416	17,189	17,154	17,420
Treasury cash and dep.	2,680	2,284	2,562	2,730

The New York market price of fine silver remained at 44½ cents per ounce throughout the week.

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	May 18, 1942	April 26, 1943	May 10, 1943	May 17, 1943
ASSETS				
Gold and English ster.	25.95	35.14	35.14	35.14
Other coin, bullion, etc.	9.21	8.95	11.03	12.05
Call money, London	30.09	43.82	47.24	45.67
Secrts. and Treas. bills	106.63	211.93	216.59	216.86
Discounts and advances	28.88	23.08	21.71	21.82
LIABILITIES				
Notes issued	97.86	135.86	138.36	138.36
Deposits, etc.	124.73	178.56	183.00	181.79

BANK OF CANADA Million Can. \$'s

	June 3, 1942	May 19, 1943	May 26, 1943	June 2, 1943
ASSETS				
Reserve: Gold	0.5	15.6	18.4	20.6
Other	776.8	1139.1	1145.7	1121.6
LIABILITIES				
Note circulation	531.5	746.8	744.8	749.9
Deposits: Dom. Govt.	35.2	98.0	64.1	54.8
Chartered banks	194.8	330.4	336.2	302.3

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

RESERVE BANK OF INDIA

Million rupees

	June 22, 1942	May 28, 1943	June 4, 1943	June 11, 1943	June 18, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	265	178	168	154	150
Balances abroad	628	823	792	763	800
Sterling securities	2,569	5,325	5,425	5,525	5,545
Ind. Govt. rup. sec.	1,223	1,207	1,207	1,207	1,207
Investments	87	75	75	75	75
LIABILITIES					
Notes in circ. India	4,390	7,041	7,311	7,217	7,229
Deposits : Govt.	114	230	252	211	192
Banks	611	578	531	532	595
Reserve ratio	67-00	80-70	81-00	81-40	81-50

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TEXTILES—continued				MISCELLANEOUS			
June 29, 1943				June 29, 1943				June 29, 1943			
July 6, 1943				July 6, 1943				July 6, 1943			
GRAIN, etc.				COTTON—continued				CEMENT, best Eng. Portland, d/d site, London area			
Wheat				Cloth, Overall Cloth, 38½ in.				in paper bags or jute sacks 20 to ton—(a)			
No. 1 N.Mt. 496 lb. f.o.b. St. J.				52 x 50, 22's & 16's				6-ton loads and upwards per ton			
Eng. Gaz. av. per cwt. (c)				Drill, 30 in., 80 x 46,				s. d.			
Flour per 280 lb.				12's & 10's				51 0			
Straight d/d London				FLAX (per ton)				CHEMICALS			
Barley Eng. Gaz. av. per cwt. (c)				Livonian ZK				Acid, Oxalic net			
Oats (c)				Pernau HD				per ton			
Maize, La Plata, 480 lb., f.o.b.				HEMP (per ton)				60/0/0			
MEAT—Beef, per 8 lb.				"J2"				65/0/0			
English long sides				Daisee 2/3 c. and f. Dundee				s. d.			
Imported hinds				Common 8 lb. cops. (per spindle)				51 0			
Mutton, per 8 lb.—English				8/40 Hessians, per yd.				s. d.			
Imported				10/40 Hessians, per yd.				4 10½			
Pork, English, per 8 lb.				May, f.o.b. Calcutta, 100 yds.				0 6-75			
BACON —(per cwt.)—Wills, cut side				Wool (per lb.)				0 5-20			
HAMS —(per cwt.)—Green				Lincoln wethers, washed				s. d.			
147 0				Selected blackface, greasy				34 0			
BUTTER (per cwt.)—All Grades				Australian scrd. fleece 70's				d.			
First hand				Cape scrd. average snow white				14 14			
ONIONS (per cwt.)				N.Z. scrd. 2nd pieces, 50-56's				37 37			
Home Produced				COAL (per ton)				24 24			
Imported				Welsh, best Admiralty				s. d.			
POCOA (per cwt.)				Durham, best gas, f.o.b. Tyne				37 9			
Accra, g.f.				Pig, Cleveland No. 3, d/d				31 7½			
Grenada fine				Bars, Middlebrough				32 7½			
COFFEE (per cwt.)				Steel, rails, heavy				312 6			
Santos, sup. c. & f.				Tinplates (home, i.e. 14 x 20)				290 6			
Costa Rica, medium to good				IRON AND STEEL (per ton)				29 9			
Eggs (per 120)—English				Pig, Cleveland No. 3, d/d				128 0			
LARD (per cwt.)—Imported				Bars, Middlebrough				128 0			
POTATOES (per cwt.)				Steel, rails, heavy				312 6			
English				Tinplates (home, i.e. 14 x 20)				290 6			
SUGAR (per cwt.)				NON-FERROUS METALS (per ton)				29 9			
Centrifugals, 96, prpt. shipm.				Copper (c)—Electrolytic				62/0/0			
C.I.F. U.K./Cont.				Tin—Standard cash				275/0/0(f)			
Refined London				Lead (d)—Soft, foreign, cash				25/0/0			
Granulated, 2 cwt. bags, domestic				Spelter (d)—G.O.B., spot				25/15/0			
West India Crystallised				Aluminium, ingots and bars				110/0/0			
TOBACCO (per lb.)				Nickel, home delivery				190/0/0			
Indian stemmed and unstemmed				Antimony, English, 99%				195/0/0			
Rhodesian, stemmed and unstemmed				Wolfram, Empire				120/0/0			
TEXTILES				Platinum, refined				5/0/0			
Cotton (per lb.)				Quicksilver				68/10/0			
Raw, Mid-American				GOLD (per fine ounce)				69/15/0			
Giza, P.G.F.				SILVER (per fine ounce)				168 0			
Yarns, 36's Ring Beams				Cash				1 11½			
42's Cop West				Cotton, N.Y. Am. mid, spot				21 65			
60's Twist (Egyptian)				Cotton, Oil, N.Y., May				20 36			
Cloth, per 100 yards				Lard, Chicago, Mar.				13 95			
31 in. Printer, 64 x 64,				Petroleum, Mid-cont. crude, per barrel				13 80			
36's & 42's				Moody's Index of staple commodities, D c 31 1931=100				243 3			
Cambrie Shirting, 32½ in.				Bank deposit rates %				Discount deposit at call			
72 x 60, 24's & 24's				Exchange Rates—The following rates fixed by the Bank of England remained unchanged between July 2nd and July 9th. (Figures in brackets are par of exchange.)				at notice %			
(e) + 7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return.				United States. \$ (4.88) 4-02½-03½; mail transfers 4-43-47½; Canada. \$ (4.88) 4-43-47½; mail transfers 4-43-47½; Switzerland. Francs (25-22) 17-30-40.				Sweden. Krona (18-15) T.T. 16-85-95, bank notes at Bank of England, 17-40 kr.			
(d) Including import duty and delivery charges.				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 4-02-04.			
(a) Average for weeks ended June 26 and July 3.				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).			
(b) Higher Pool prices in some zones.				Market Rates—The following rates remained unchanged between July 2nd and July 9th.				Egypt. Piastres (97) 97½-1. India. Rupee (18d. per rupee) 17½-18½.			
(c) Price is at buyer's premises.				China. National 3-3-3. Iran. Lir. 128-130.				Official buying rate 29-78. † Free rate. \$ Bid.			
(f) Price at which Ministry of Supply supplies consumers delivered works.											

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—			MISCELLANEOUS (per lb.)—			MISCELLANEOUS (per lb.)—cont.		
June 29, 1943	July 6, 1943	Cents	June 29, 1943	July 6, 1943	Cents	June 29, 1943	July 6, 1943	Cents
Wheat, Chicago, July.....	144½	148½	Cocoa, N.Y., Accra, July.....	8-81	8-81	Rubber, N.Y., smkd, sheet spot...	...	...
" Winnipeg, July.....	101½	102½	Coffee, N.Y., cash—			" " Jan-Mar.....	...	...
Maize, Chicago, July.....	107	107	Rio, N. Y.....	9½	9½	Sugar, N.Y., Cuban Cents., 96 deg.	...	...
Oats, Chicago, July.....	68½	72	Santos, No. 4.....	13½	13½	spot.....	3-74½	3-74
Rye, Chicago, July.....	99	112½	Cotton, N.Y. Am. mid, spot.....	21-65	21-75			
Barley, Winnipeg, July.....	64½	64½	" Am. mid., July.....	20-36	20-62	Sugar, N.Y., 96 deg., No. 4, f.o.b.	...	...
METALS (per lb.)—			Cotton, Oil, N.Y., May.....	13-95	13-95	Cuba, Mar.....	...	...
Copper, Connecticut.....	12-00	12-00	Lard, Chicago, Mar.....	13-80	13-80			
Tin, N.Y., Straits, spot.....	52-00	52-00	Petroleum, Mid-cont. crude, per barrel.....	117	117	Moody's Index of staple commodities, D c 31 1931=100.....	247-3	245-3
Lead, N.Y., spot.....	6-50	6-50						
Spelter, East St. Louis, spot.....	8-25	8-25						
</								

July 10, 1943.

(Continued from page 60)

Leather for Shoes.—It is reported that special priority is to be given to shoe leather, although the shortage will not be relieved until next year. In the meantime, 40 per cent of women's shoes and 20 per cent of men's will be made with wooden soles.

Cotton Export Allocations.—Export allocations for cotton piece goods for the period July 1st to September 30th have been sent out by the Cotton Board. West Africa's share has been somewhat reduced to meet the essential needs of some other markets, notably Australia. While there are no basic alterations for most markets, quantities vary somewhat compared with the last period. It has once more been necessary to limit part of the production for certain markets to fabrics made from fine yarns (counts 50's or finer). This is due to the heavy demand for coarser yarns for the manufacture of direct war fabrics.

Alloy Conservation.—A new Direction has been issued by the Controller of Iron and Steel to all alloy steel ingot makers, the object of which is primarily alloy conservation. The main

reason for this is the enormous increase in the demand for alloy steel, which means that available supplies of alloying elements now have to be spread over a bigger tonnage of steel. The effect of this Direction is to limit the number of compositions available. The permitted compositions are practically all steels which have been made for some time. The basis of the new Direction consists of a table showing which steels are permitted for any given range of tensile strength and size. The new Direction is restrictive only in respect of alloy steels and it is hoped that both steelmakers and users will utilise carbon steels to the fullest possible extent.

Headwear Quota.—The headwear quota for the present period has been increased from 15 per cent to 25 per cent by value of supplies in the year 1941. The reason given is that it will provide employment for residual labour (mainly older workers) in areas where the proportion of withdrawals has been lowest. No manufacturer will be permitted to take on any labour other than that agreed with the Ministry of Labour local offices; the industry will be required to make frequent and full labour returns.

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

ACCUMULATED 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.

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

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 STOCK EXCHANGE THEIR STOCKBROKER

3% Savings Bonds 1960/70
2½% National War Bonds 1951/53
are at present on sale @ 100.

There are also
3% Defence Bonds

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

MANAGER-SECRETARY required by a Group of Chemical Manufacturers to form the nucleus of a Secretariat to deal with existing and post-war trade agreements. Experience of commercial accounting is essential and a knowledge of commercial and technical French and German an advantage. The organization offers considerable possibilities for a man of tact and ability. A commencing salary of £750 per annum is envisaged. In the first instance full particulars of qualifications, experience, etc., should be sent to Box 108, *The Economist*, Brettenham House, Lancaster Place, London, W.C.2.

BOOK PUBLISHING—Large London firm requires first-class man to undertake research, both editorial and marketing. M. of trade and possessing economic degree preferred. This is a splendid opportunity for development with a progressive firm. Full details to Box 107, *The Economist*, Brettenham House, Lancaster Place, London, W.C.2.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5213

REGISTERED AS
A NEWSPAPER

JULY 24, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Good Intentions - - - - -	97	Planning in the Rockies - - - - -	107
Colonial Development - - - - -	99	Polish Cross-Roads - - - - -	109
Post-War Shipping Policy - - - - -	101	Banks and the Deficit - - - - -	113

NOTES OF THE WEEK - - - - - 102

Sicilian Advance; — And After?; Reactions in Italy; Amgot; Bombs on Rome; Organisation and Efficiency; Chemicals and Cartels; Coal Production; World Trade; The Cost of Reconstruction; The Population Debate; War Pensions in the House; The Liberal Dilemma; Shorter Notes.

AMERICAN SURVEY - - - - - 107

Planning in the Rockies; Presidential Bombshell; Republican Fissures; Food Figures.

THE WORLD OVERSEAS - - - - - 109

Polish Cross-Roads; "Full" Employment in Denmark; Commissions for Air Crew; Monopolies in Palestine.

THE BUSINESS WORLD

BUSINESS NOTES - - - - - 114

Back to Industrials; Amgot in Action; Exchange Rates; More Light; Industrial Demobilisation; A Plastics Boom; Wages of Pit Boys; Planning the Clothes Ration; Richard Thomas Payment; Company Reconstructions; French Gold; India Fights Inflation; Halifax Bomber Production; Corporate Profits in USA; More Food in Less Space; Eire's Central Bank; Coin Holdings of the Banks; Company Results.

COMPANY MEETINGS - - - - - 121

RECORDS AND STATISTICS - - - - - 124

Good Intentions in Education

MR. R. A. BUTLER is to be congratulated on having produced an excellent White Paper on Educational Reconstruction. The achievement, so far, is a literary one only; the White Paper is charmingly written, it is inspired by the most admirable intentions and it outlines a number of desirable steps in educational reform to none of which any exception can be taken and some of which are highly welcome. A White Paper, however, is supposed to be more than a tract for the times; it is a declaration of the policy that the Government intends to carry out. It is one stage short of a Bill, two short of an Act, three (or three hundred) short of an achievement. Whether Mr Butler is in earnest is a question on which the White Paper sheds no light at all—except the rather disappointing light shed by the fact that it is a White Paper and not (as was promised) a Bill. If, as must be hoped, it is the first step in a real policy, and not merely a paper ideal to be retreated from, then at least it can be said that the first step is a longer one than seemed likely only a few months ago.

For an understanding of the reforms proposed, a reading of the White Paper is to be recommended. They can be only very briefly summarised here:

1. The school-leaving age is to be raised to 15 (with-out exemptions) as soon as possible after the war, with a further increase to 16 "at a later date." In addition, there is to be compulsory part-time attendance (in working hours) at "Young People's Colleges," for children

between the leaving age and 18. "Part-time," to begin with, is to be the equivalent of one day a week.

2. Primary education is to end, for all children, at the age of about 11. Secondary education is thus to be compulsory for all children between 11 and 15 (later 16), and free both for these children and also for those who stay on beyond the leaving age. Secondary schools are to be of three varieties—"grammar schools" (i.e., the present secondary schools), "modern schools" (developing out of the present central schools) and "technical schools." These three varieties are to be of equal social and educational standing.

3. The present power of local authorities to provide nursery schools for children from 2 to 5 is to be changed into a duty to provide them wherever the Board deems them to be necessary.

4. The school day is to begin with "a corporate act of worship," and there is to be religious instruction in all schools on the basis of an agreed (undenominational) "syllabus." It will be open to the parent to withdraw his child from all or any form of religious worship or instruction. In schools wholly owned by the local authorities, children may be "withdrawn" for specified periods of such denominational religious instruction as the parents wish. Only in exceptional cases will this instruction be given on the school premises. There is a complicated set of provisions for the further integration of "non-provided" (i.e., church) schools into the national system. The general purport is that unless the owners can find half the cost of necessary alterations and improvements, they are to lose their majority on the managing body, and their right

to appoint and dismiss teachers; but they will retain the right to be "satisfied" as to the appointment of a limited number of "reserved" teachers.

5. There are to be somewhat vaguely defined developments in technical, commercial and art education; in adult education; in youth service; in the school medical service, and the provision of meals in schools; and in assistance to poor scholars in reaching the university.

6. All private schools are to be inspected and registered. If they do not reach the required standards, they may be closed.

7. No local authority other than a county council or a county borough council is to be a local education authority, and every LEA shall have jurisdiction over the whole range of education. Boroughs and urban districts may (and if they have a population of 60,000 shall) have district education committees exercising such powers as are to be delegated to them by the county. There is to be power to amalgamate small county and county borough areas for education purposes.

All these are steps in the right direction. Some of them seem a little timid—the indefinite deferment of the raising of the leaving age to 16; the definition of "part-time" schooling for the 15-18 group as one day, with a similarly indefinite deferment of any increase; the failure to remove all qualification from the duty to provide nursery schools. But, to offset these imperfections, there are several items in the programme that will cause very general satisfaction. The chief of these is the announcement of universal, compulsory and free secondary education; and hardly second is the beginning—even if it is only a beginning—of part-time education for older children. When these two reforms have been enacted, the country will be within sight of the goal of this section of educational reform—namely, that all minors should be regarded as citizens in training. The religious proposals seem reasonable to the layman, even though (or perhaps because) they will not please either extreme of opinion. The provisions for the church schools, if fully enforced, should serve to end the scandal of the "black list," about which there is some commendably frank writing in the White Paper. Very few of the Anglican schools will be able to find the money necessary to retain their independence; and, if they do not, the appointment and dismissal of teachers—the most important point from an educational point of view—will pass to the education authority. When it is remembered that the overwhelming majority of village schools are still "non-provided," the significance of this reform will be seen to be considerable; in many parts of the country it means that efficient and modern education will, for the first time, be available in rural areas.

The proposed concentration of educational powers in the county and county borough councils is also a badly needed reform. The present system suffers from the double defect that, in many areas, two different authorities are responsible for primary and secondary education, and that many of the areas are far too small for efficiency. The former defect will be removed by the proposed reform; but not the latter. In England and Wales as a whole, there were, at the time of the 1931 census, 145 administrative counties and county boroughs, with an average population of 276,000. But the average is deceptive, since it is swollen by such giants as London and Lancashire among the counties, Birmingham and Liverpool among the county boroughs. Even if every county or county borough with a population of less than 75,000 (there is a hint in the White Paper that this is the minimum) were merged in a larger area for the purpose of education, the median population would still be as low as 303,000 among the English counties, 157,000 among the Welsh counties (half of which would have to be merged) and 122,000 among the county boroughs. To secure a fully efficient educational system, with sufficient choice of the different varieties of schools, a population of 400,000 should probably be regarded as the minimum. There are only a score of these. The areas will thus remain too small—though it would be impractical to hope for any larger areas so long as education continues to be administered through local authori-

ties and so long as the county and the county borough remain the largest units in existence.

The items on Mr Butler's programme can thus, with some qualifications, be given a sincere welcome. But it is a sound rule to look all political gift-horses very closely in the teeth—and experience would advise that those of the educational breed be inspected with the utmost scepticism. From the policy outlined in the White Paper there are three large and admitted omissions. Very little is said about the supply, training and status of teachers, on which every hope of reform and advance necessarily rests. Even less is said about the content of education—the curriculum of the schools and their integration with the universities. And almost nothing is said about the very vexed question of the public schools—which is not really educational at all, but social and political. The reason for the omission is the same in each case—that a committee is sitting on the problem. The report of Sir Cyril Norwood's committee on the curriculum is almost ready; Sir Arnold McNair's committee on the training of teachers is expected to report later in the year, and a report is also awaited from Lord Fleming's committee on the public schools. It would have been equally improper for the Board to have pronounced on these questions before receiving the reports or to have delayed the rest of its policy until they had been received. But the effect is none the less unfortunate, for the White Paper is left announcing a performance of "Hamlet" without any assurance that there will be a stage manager, or that the Prince of Denmark will mix with the other players, or that there will be an agreed version of their lines. Before it will be possible to judge whether or not there is likely to be any real advance in British education, it will be necessary not merely to observe what happens to the proposals in the White Paper, but also to await both the appearance of three separate reports and the action, if any, that is taken upon them. There are, unfortunately, infinite possibilities of mutual obstruction in this procedure.

If this comment seems unnecessarily cynical, the jaundice must be ascribed to the lessons of British educational history in the past thirty years. Education Bills have an unhappy history, and even when they have become Acts, they lack enforcement. There is no other sphere of public policy where there is such an enormous gap between the politicians' promises—even those they have written into the statute book—and actual performance. The chief reason for this—but not the only one—is to be found in the fact that education policy is administered through the local authorities, who have to find over half the total cost (£48.3 million out of £93.8 million in 1938-39). Except for the minority of authorities who have both the will and the means to take pride in their schools, the Board's minimum standards tend to become maximum standards, and the powers that successive Acts have conferred upon the local authorities in such matters as nursery schools remain largely unused. The White Paper shows some realisation of this difficulty. In a number of cases, powers are to be converted into duties—though usually with some qualification to the language or ambiguity in it. In the education—it is provided that each authority is to prepare a scheme, on the basis of which the Board will make an order, embodying a time-table. It is also provided, in connection with compulsory part-time education, that "to obviate one of the causes of the previous failure to operate the Act of 1918," the Appointed Day shall be the same for the whole country—though this might mean an unduly delayed Appointed Day.

It is not recalcitrance among the local authorities that is the chief difficulty. Their slowness to move arises from poverty. Before the war, education represented about a quarter of the total burden on the rates. The Appendix to the White Paper shows that the £48 million spent out of the rates in 1938-39 will have risen to £56½ millions after the war before any additional cost arising out of reforms. It is part of the present scheme that the Exchequer grant shall be increased to a maximum of 55

per cent; but even so the burden on the rates will increase to £67.6 millions in the seventh year of the reforms and to £79.9 millions "ultimately." In other words, if local authorities are to play their part, the rates will have to be increased by an average of 16 per cent for this purpose alone—to say nothing of the further burdens that are to be imposed for town and country planning, medical services, housing and the rest. It simply cannot be done. If the financial aspect of the proposals remains as outlined in the White Paper, the scheme will never come into existence, no matter how brave the words of the Board or how mandatory the terms of its Act. Every possible loophole for failing in their duty will be sought by the poorer authorities, and the Board will be forced, in spite of itself, to use its discretion in favour of leniency and delay. Mr Butler can hardly be blamed for failing to secure a complete reform of local government finance as a side-line in his White Paper; but he ought to realise (as should the town planners and the medical reformers) that until there is such a reform none of their plans can hope to be more than moderately successful.

Financial realism would greatly improve the outlook for the White Paper proposals. But something more is needed

before the cynical smile will be removed from the spectator's face. Rightly or wrongly, the Board of Education has acquired the reputation of being a lackadaisical department which seldom succeeds in delivering the goods. It is not only the local authorities who need to be held down to a time-table worked out in advance, but the Board itself as well. Not everything, of course, can be done at once; there are schools to be built and teachers to be trained. Nor is it possible to foresee when, with victory, the whole procession can start. But it should be possible to work out in advance, and to embody in the Act, how long each stage should take after the single Appointed Day when the starting button is pressed. The financial estimates in the White Paper are clearly based upon a time-table; it should be embodied in the Act. Escape clauses there would have to be; but it is essential that the difficult and embarrassing initiative of issuing a special Order should be needed to escape from the time-table, not to keep to it. If Mr Butler can, first, repair the omissions in his White Paper and, then, pilot through Parliament a Bill which unambiguously commits him and his successors, he will be, beyond question, the most effective President the Board has ever had. Until then, a certain scepticism will be in order.

Colonial Development

EDUCATIONAL advance and economic development, according to the Colonial Secretary, are the twin pillars upon which any sound scheme of political responsibility in the colonies must be based. There is nothing epoch-making about this statement. For some time now there has been very wide agreement that the major fault of British colonial policy in the past has been the neglect of the material progress which is essential to political progress; "development and welfare" is a phrase which has won a wider vogue even than "trusteeship and the dual mandate." Where disagreement arises is how development and welfare; but particularly development, is to be achieved.

Official pronouncements have been disappointing in this respect. Successive Secretaries of State for the Colonies have pointed to the new Colonial Development and Welfare Fund, but not even they have ventured to suggest that its resources and scope are adequate. Even Colonel Stanley, in his speech in the House of Commons last week, which came far nearer than those of his predecessors to dealing with realities, was less specific when he came to the application of principle in economic development than he was when discussing education. He said that the objective is to make the colonies self-supporting—not, he hastened to add, self-contained. He reiterated the predominant importance of agricultural development. He dealt at some length with the develop-

ment of air communications. Finally, he gave his blessing to more industrialisation of the colonies—not, with another hasty addition, "a rash, mushroom industrial growth fostered by high protective tariffs . . ." but industries processing natural products for home consumption or for export, and simple manufactures which are not dependent on large quantities of imported raw materials.

This is good as far as it goes. A welcome must also be given to Colonel Stanley's view that the expansion of secondary industries in the colonies would in the long run be beneficial to British export trade. Under the Ottawa regime the colonies were deprived of the right to buy in the cheapest market. Now they are to be encouraged to make their own cheaper necessities, which will allow them a wider margin for the purchase of goods requiring skill in their manufacture—a class of goods in which the British export trade "will be able to compete on fair terms." But if the end of the Ottawa duties is implied by this statement there are still other questions fundamental to economic development which the Colonial Office has not answered. It has not said whether it still approves as strongly as ever of restriction schemes for raw materials and intends to allow them to be operated by international groups of producers. Such raw materials as copper, tin, tea, cotton and rubber will, in spite of "economic development," continue for



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

some time to be the mainstay of many colonies. Again, in the whole of Sir Frank Stockdale's long, detailed and, on the whole, encouraging report on development and welfare in the West Indies, no attempt has been made to solve the difficult but fundamental problem of land tenure. Or again, is the monopoly which the United Africa Company has in the trade of British West Africa to continue? Private capital is, according to Colonel Stanley, to be welcomed in post-war colonial development, provided that it is under proper control. Does this mean that the greater part of the wealth derived from the exploitation of a colonial asset will continue to be lost to the colony, as Northern Rhodesia now loses so large a part of its copper income through the payment of dividends and taxes in the United Kingdom? If the secondary industries are owned by private capital, will "proper control" ensure that the colonial peoples will be allowed to do skilled jobs?

Possibly the Colonial Office considers that as development is pursued questions such as these will settle themselves. This attitude would be in keeping with the empiricism with which it pursues colonial development in general. The alternative is development by a super board, distinct from the Colonial Office, which would undertake colonial development on the basis of a long-term plan. In recent months this proposal has won many adherents. Its latest advocates have written a book* in which it is worked out in detail. The authors have clearly a first-hand knowledge of many of the colonies, and the great merit of their book is that they have thought large. Whether their roving eye alights upon sparsely populated and deforested British Honduras or the dust bowl in Kenya their remedy is the same: development on a grand scale by an authority which can work to a long-term programme without having its day-to-day work subject to Parliamentary review, which can co-opt people from the Dominions in its tasks, which might with advantage eventually grow into a world development authority with all the undeveloped corners of the globe within its scope.

The great drawback of their scheme—and it applies to similar proposals for central development boards—is that they have forgotten the people. The authors realise, indeed, that development must be broken down to fit the needs of individual colonies, and they suggest local development authorities with directors appointed by the colonial governments concerned. They even, in one short paragraph, talk about associating the colonial peoples in the working-out of the policies adopted. But the whole book is pervaded with the idea that the poor, backward people of the colonies must be improved at all costs, and if they do not know what is good for them the development authority does.

Very likely many of the colonial peoples do not know what is good for them. But this does not, surely, mean that development is to be imposed upon them without their consent. If it does, it is contrary to the whole spirit of British colonial policy, which has always aimed at leading, not coercing, along the path of progress. The advocates of a central development board forget that the backwardness of the people, which they wish so passionately to cure, is often based on an old and very strong culture and social structure that cannot be swept aside in a day. If, therefore, a development board distinct

from the Colonial Office were set up, a time would come when there would be a clash between its policies and those of the Colonial Office. How would the deadlock be resolved?

There might be a place for such a board if it devoted itself exclusively to impersonal development, such as the building of roads and bridges and the combating of soil erosion. But wherever it is a question of dealing with people, of starting secondary industries or improving agricultural production, the plans cannot be churned out from London or elsewhere. They are a subject for delicate manipulation by the man on the spot.

At first sight this seems a disappointing conclusion. Contrasted with the large ideas of the authors of *Wealth for Welfare*, the Colonial Office's policy of development seems a poor thing indeed. What has the introduction of ginger cultivation among the pagan tribes of Zaria, in North Nigeria, or the establishment of a factory for drying vegetables at Kerugoya, in Kenya, which employs over 900 Africans and deals with the products of some 6,000 native growers—what have these to do with the large problems of poverty, hunger, disease and illiteracy among the colonial peoples? Is the establishment of an Institute of West African Arts, Industries and Social Science, which will aim at reviving native craftsmanship and turning it to modern production, the best way to achieve the expansion of secondary industries?

Fundamentally, the answer is yes. There is more than a difference in methods between those who plan on the large scale envisaged by the supporters of a colonial development board and those who work from small beginnings in isolated areas, who consider the development of co-operatives as important as the opening up of a new mineral asset. There is also a difference in objectives. The development board planners look upon development and welfare as an end in itself. Official British policy looks upon it, as Colonel Stanley said, as a basis for self-government. It is an essential basis, but the ultimate aim of British colonial rule, in spite of the new trends of the last few years, is still to proceed from benevolent despotism, not merely to benevolent development, but to responsible government and independence. That is why colonial development must begin and end with the people.

This is not to say that the makers and agents of official policy could not learn much from the supporters of the opposing view. They could learn to think large, even if they have to act small. The comparatively trifling cost of a new market in an African village should not make them draw back from the need to spend many millions in the colonies as a whole. They can still work to a plan, even if it has to be constantly adapted. There are also colonies where they have no need to be inhibited, and colonial welfare can be pursued everywhere without restraint. Above all, the exercise of infinite patience and encouragement should not be allowed to blind them to the fact that what is needed more than anything else in British colonial rule is a sense of urgency, of a great task that has to be done even if its completion takes many generations. The change in British colonial policy, after all, has been comparatively sudden, and it may be that the various colonial administrations and their outlying officers have not yet fully realised that their duty is not, indeed, to depart from the principles of economical administration but to seek out every way in which the application of capital can raise the economic welfare and productivity of the colonial peoples. It may be that something in the nature of a development board—provided it were responsible to the Colonial Office and closely integrated with it—would serve a useful purpose in speeding-up the tempo of development. Something more than a fund to be passively drawn upon is needed; there should rather be a department of the Colonial Office itself and of every colonial administration (or at least in each group of colonies) whose active duty it is to advance the new policy. Something of the same vigour that has been put into waging war is needed for the colonial effort.

Post-War Shipping Policy

DURING a debate in the House of Commons on Wednesday last week Mr Noel-Baker, Joint Parliamentary Secretary to the Ministry of War Transport, laid down the three principles which are to guide the Government's shipping policy after the war. First, Great Britain "must continue to serve the world with a large and efficient mercantile marine." Secondly, His Majesty's Government will be

prepared to collaborate with other like-minded Governments in establishing conditions in which the shipping of the world can be efficiently and economically carried on.

Thirdly, the officers and men of the merchant navy are to be provided with "the best attainable conditions of employment." The first principle, as Mr Noel-Baker rightly remarked, "governs all the rest." Ships are vital to this country in peace and in war. They are the conveyor belts feeding the huge industrial assembly plant of this island with raw materials and foodstuffs. In peace, they take Britain's finished goods to the four corners of the world and, in war, its armies and munitions to the battlefields. But shipping is also the most important export industry; before the war British ships carried two-fifths of the world's seaborne trade, and their earnings abroad paid for more than a tenth of the country's total merchandise imports.

The Government's statement was timely, and one can hardly quarrel with its decision to refrain at this stage from naming the "official" target for the size of the post-war British merchant fleet. As was pointed out by Sir Arthur Salter, the other Joint Parliamentary Secretary to the Ministry of War Transport, any categorical statement about the future size of the merchant navy and the methods by which it is to be secured and maintained might prejudice negotiations with other Governments and render international collaboration more difficult. But this caution need not extend to an expression of private opinion. As the General Council of British Shipping said in its report on post-war shipping, entitled "Freedom and Efficiency Policy,"

this country must not be afraid to say to its allies that a strong British mercantile marine is just as necessary to this country as its navy, army and air force.

In any case, there has been no lack of precedent; across the Atlantic, for example, the view has been freely expressed that the United States should aim at a peacetime merchant fleet big enough to enable that country to carry half the total of its imports and exports in its own vessels. On the basis of the volume of trade before the war, this would mean a fleet two-fifths larger than then existed.

There are, perhaps, special reasons justifying so large an increase in the American merchant fleet—an even larger increase will actually exist at the end of the war. There will be no question of America's deliberately building up to an arbitrary standard; it will be a question of how much of the American fleet that will exist at the end of the war should be retained. It would be very foolish if British policy were to insist on a fleet larger than pre-war merely because this is to be the American policy. But, equally, there is no reason why Britain should be content with a fleet smaller than it was before the war. In 1936, according to a "fact-finding" inquiry carried out by the Chamber of Shipping and the Liverpool Steam Ship Owners' Association, the sea-going steam and motor tonnage sailing under the British flag (UK and Dominions) represented 36.7 per cent of the world total and carried 40.2 per cent of the world's seaborne trade. The total of United Kingdom tonnage, excluding vessels of under 2,000 gross tons, was then 15,084,000 gross tons, and the Dominions owned 1,934,000 gross tons, making an Empire total of 17,018,000 gross tons. In the same year, the seaborne

trade of British countries wholly among themselves amounted to 19.4 per cent of the world total; trade between British countries and foreign countries amounted to 37.4 per cent. If we take the whole of the purely British trade and half of the British-foreign trade, we reach a figure of 38.1 per cent of the world's seaborne trade which might reasonably be regarded as the appropriate portion to be carried in British ships—in fact, almost exactly the portion that actually was carried before the war. (It does not, of course, follow that all British trade was in British ships, nor that British ships carried no wholly foreign trade; convenience dictates the utmost elasticity in this respect.) Thus a policy of restoring the pre-war position could be expressed either as that of once more carrying 40 per cent of the world's seaborne trade in British ships or as that of having a fleet large enough to carry the whole of purely British and half of British-foreign trade. These two magnitudes may diverge after the war, and it is the second that forms the sounder basis for policy.

There is no inherent reason, however, why "back to pre-war" should be the aim. In particular, there would seem to be a strong case for adding to the minimum, as defined above, a margin in the nature of a war reserve. It has once again been demonstrated that the survival of this country depends absolutely on its merchant navy, and so long as the nations of the world take any precautions at all against the perils of war, a British war reserve of merchant ships is amply justified. It might not be possible to keep the reserve fully employed in peacetime—indeed, it is in the nature of a reserve that it should not normally be needed—and Government shipping policy will have to take into account the necessity of maintaining it in usable condition. As for the size of that reserve, a figure of 3,000,000 gross tons would represent about a year's sinkings of British ships at the maximum rate of the present war. The target might therefore be defined as a total for all the British countries (perhaps differently distributed than hitherto between the United Kingdom and the Dominions) of about 20 million gross tons plus or minus the equivalent of any changes in the overseas trade of the British countries after the war.

How is the target to be attained? The post-war position cannot be foreseen with any clarity. But unless the war ends very quickly indeed, the world will end the war with more shipping (and more modern ships) than it had at the start. It is probable that the total of shipbuilding in the United Nations alone (excluding anything that may be accomplished in German, Italian and Japanese yards) will this year equal about a quarter, or even more, of the pre-war total, and the volume of construction in earlier years has not been negligible. Unless there is a great increase in the volume of world trade there will be a glut of shipping just as soon as the requirements of demobilisation and relief have been attended to. On the other hand, the British merchant fleet will end the war substantially smaller than at the start; no figures of the shrinkage are available, but those who speak of a halving of the total British tonnage are probably erring on the pessimistic side. The task will therefore be to reconstitute a British fleet of the desirable size at a time of worldwide glut, which will indeed be intensified by any British building. In these circumstances, there will inevitably be suggestions that the policy of building up the British fleet to anything like 20 million gross tons would be harmful. The position will indeed be uncomfortable, but it is most unlikely that the British Government or the British public will be deterred from their purpose, which rests not so much on economic considerations as on the essential elements of national safety.

There will, of course, be the enormous volume of American tonnage built during the war, which is likely to be far in excess of American peacetime needs. It is

* *Wealth for Welfare*. By H. W. Foster and E. V. Bacon. Macmillan. 174 pages. 12s. 6d. net.

INDEX TO VOLUME CXLIV

The Index to Volume CXLIV (January to June, 1943) is now available and has been sent to all those who have asked for the Index to be regularly supplied to them. Any other readers who wish to receive the Index (post free) are invited to apply to The Publishers, THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2

most unlikely that there will be any question of the outright gift of ships for use in peacetime competitive trade. Any suggestion of sale would raise difficult questions about both the price and the method of payment. It is, however, just possible that some long-term lease (or even lend-lease) of these ships to Great Britain could be arranged. If so, the immediate needs of the British merchant marine for standard cargo vessels could be met and the British rebuilding programme could turn its first attention to special types such as tankers and refrigerated vessels. Any American ships obtained by these means would almost certainly have to be retained in Government ownership, though they could presumably be hired out on long agreements to shipping companies.

The difficulty about any programme of rebuilding is that it will almost certainly have to be carried out at a time when shipping, owing to the glut, will not be a very profitable industry. It may be that some international arrangements for the stabilisation of freight rates both could and should be made. This is a complex and difficult problem which cannot be discussed here. But it would take very considerable optimism to assume that there is any form of international regulation which can perform the miracle of converting conditions of glut into conditions favouring, on strictly commercial principles, the construction of new ships. If there is to be a large British programme of rebuilding, the Government will have to take the initiative and bear the risk.

This inevitably raises the question of the nature of the relationship between the Government and the shipping industry. It stands to reason that no Government department can be expected to engage in the actual management of shipping in peacetime conditions. Liner

shipping might conceivably be so managed (though not with much prospect of efficiency); tramp shipping is one of the last forms of economic activity that anyone in his senses would put under a bureaucratic organisation. But shipbuilding—or rather, the placing of orders for new ships—is something different. The Ministry of War Transport has apparently decided against nationalisation and therefore, by inference, in favour of a policy of Government subsidies in aid of privately-ordered new construction. This policy, Mr Noel-Baker said, would be adhered to unless Parliament decided otherwise. It may be asked whether Parliament would not be well advised to decide otherwise. The future development of British shipping must obviously be in accordance with an overall policy laid down by the Government, and public money will be needed in carrying that policy out. There would seem to be great advantages—including those of regularity of employment for the shipyards—if the Government itself were to place the orders, to own the ships and to let them out on long contracts to the shipping companies (who would obviously have to have a very large say in the design). Among other benefits, the maintenance of a reserve fleet would fit into such a policy very much more easily than into one of purely private ownership. There is, of course, no suggestion that any shipping company which wished to order a ship for its own ownership should be prohibited from doing so. But the balance of argument would seem to point to the assumption by the state of the direct initiative (since it cannot dodge the ultimate responsibility) for the post-war reconstruction and for the permanent maintenance of that merchant fleet on which the life of this island depends.

NOTES OF THE WEEK

Sicilian Advance

The second week of the fighting in Sicily has brought successes not less striking than those of the first. The advance has been steady in all sectors. The British and Canadian positions have moved north from the Ragusa-Augusta line to a line running roughly from Piazza Armerina to the outskirts of Catania. The Americans have extended their control of the south coast to Agrigento and beyond; indeed they have occupied the mining region of Caltanissetta and taken Enna. The capture of Enna marks a turning point in the campaign. The town lies on the only important railway across the island from Catania to Termini. The western part of Sicily has been practically isolated—the distance from Enna to the northern coast is only about forty miles. The Axis forces in the west of Sicily have no escape but to retreat hastily along the northern coast before that way of retreat, too, is cut off. The possession of Enna may also allow the Allies to envelop the Catania plain from the west and to isolate the defenders of Catania itself. Only at the approaches to Catania has the defence succeeded in temporarily holding the advance—owing to the difficult nature of the country and to the concentration of the bulk of the German forces in Sicily in this sector. The battle of Catania cannot now be regarded as part of a design to save the island for the Axis; its importance has been reduced to that of a stubbornly fought rearguard action. The only reward the enemy can expect here is a gain in time which might allow him to withdraw part of his forces across the Straits of Messina. The defenders of Catania have two possible lines of retreat: one along the western slopes of Etna and the other along the coastal road from Catania to Messina. The first line may well be denied to them by an Allied advance from Enna; and the second is exposed to Allied bombardment both from the air and from the sea. The fighting has once more revealed the familiar rift between the Italian and German soldiers; and the next days may bring a swift and sudden breakdown of the defence similar to that which marked the final phase of the Tunisian campaign.

— And After ?

At their meeting in northern Italy, which was made public on Tuesday, Hitler and Mussolini presumably took

the loss of Sicily for granted; and the defence of the Italian mainland itself must have been the subject of a somewhat strained discussion. German reinforcements in Sicily have proved inadequate to save the Italians; but they have been large enough to place an additional strain on German resources. Can more reinforcements be found for Italy itself? The prospect will be decisively affected by the new turn of events on the eastern front. The German High Command cannot possibly afford any weakening of its strength in Russia. The German attempt to flatten the Kursk salient has failed, and, for the first time, the Russians have mounted an effective counter-offensive in the summer. It is perhaps still too early to judge the scope of their intentions; but both Axis and Soviet commentators agree that the present operations "are tending to develop into major battles." The Russians are within striking distance of the Orel-Briansk railway; and if they succeed in cutting it, Orel is lost to the Germans. On the Donetz, the Russian objective—at least at this stage—is to regain the ground lost in March, after the second fall of Kharkov. If the Germans commit themselves further in Italy, the weight of the Soviet offensive is likely to grow. If not, the impact of the British and American assault may well knock Italy out of the war. Italy may, of course, be reinforced by German contingents drawn, not from the eastern front, but from southern France or from the Atlantic Wall. But this would merely invite fresh Allied blows against the denuded flanks of the European fortress. Under such conditions, Hitler may tend to regard the Italian mainland as merely the terrain of a rearguard action—a prospect which spells the doom of Mussolini.

Reactions in Italy

By all accounts, the Sicilian peasants have received the invaders with considerable calm. Fascist broadcasts in Italy have conjured up vivid pictures of Sicilian partisans and their heroic wives knifing the invading soldiery, but the Allies have obviously had no trouble from the inhabitants. Some correspondents comment in amazement, perhaps forgetting many similar incidents in the last war, on the nonchalance of harvesting farmers who hardly take cover as the battle zone moves on towards their fields. Does this

attitude mean that the Italians are weary of Fascism and are ready to throw off the Government which first ruined and has now disgraced them? Such an inference lies behind the appeal made to the Italian people by Mr Roosevelt and Mr Churchill to throw off the yoke and choose "whether Italians shall die for Mussolini and Hitler—or live for Italy and civilisation." But reports from Sicily do not speak of opposition either to the Fascists or to the invaders. They speak simply of passivity. This is hardly a traditional Sicilian attitude, for the Sicily of the vendettas had the reputation of being not the least but the most violent region in Italy. Is it rather an index of the political mentality of a great majority of the Italian people? This possibility is borne out by reports from the Italian mainland. It is over two years now since Ansaldo accused the Italians (in his "Woe, woe," speech) of preferring football to the fight for Abyssinia. Now the correspondent of the *Stockholms Tidningen* writes:

The Italians are quite calm, in spite of everything, and life on the mainland is so normal that it is almost impossible to realise that the country is being subjected to the most gigantic military attack . . . The cafés are full, some new Italian films are being shown, and people continue bathing at Ostia in spite of recent bombings.

The Fascist Party secretary, Carlo Scorza, confirms this picture in his dramatic appeal to the people, which, opening with the words "Resist, resist, resist," went on to urge the Italians that

We must not adopt the fatalistic viewpoint that it is enough to be able to bear the enemy's blows. We must give blow for blow. We must exchange attack for attack.

This torpor, from which the Fascists are now trying to rouse the people, is of their own creating. For twenty years, ordinary men and women have been excluded from all responsible participation in public life. Lack of political interest has been taught as a virtue. Political decisions rested with the minute group of governing men. Below them was a great cumbrous obedient party machine; under the machine, the inchoate mass of irresponsible citizens. In the hour of crisis, it is useless to look for initiative in a population trained to its opposite. This is the supreme failure of totalitarian rule. It has no inner resilience. Implicitly at least, Scorza recognises this. In his latest appeal he pleads that

All the people—I repeat all the people—must form one single army gathered round the symbols of Italy's eternal glories, the Catholic Church and the House of Savoy.

Fascism is not even mentioned. But Italian apathy has a lesson for the Allies, too. It is probably useless to expect an uprising to turn the Fascist Government out. The apathy which is not stirred by the prospect of invasion will not be moved to a great effort of civil war.

Amgot

The political passivity left by Fascism should in some ways simplify the Allies' task of administration as they invade. They are not likely to have their efforts sabotaged and may be able to count on a good measure of practical collaboration. Thus the ground is favourable for the first experiment in Allied military government of occupied territory. The new administration in Sicily is, of course, military. The Governor, General Alexander, has Major-General Lord Rennell of Rodd as his chief political officer; Brigadier-General Frank McSherry, of the United States Army, is Lord Rennell's deputy. Their work is organised in six departments—legal, financial, civil supply, public health, public safety, and the administration of public property. These departments are staffed by British and American officers and officials who have been specially trained for the work at the School of Military Government in Virginia and the Civil Affairs Centre at Wimbledon. Some of the British officials have probably gained practical experience already in the Occupied Enemy Territory Administration which has been functioning in Britrea and Cyrenaica for some time past. Lord Rennell himself served in East Africa as political officer. The success of the experiment will depend on the degree of co-operation between the British and the Americans and the Italians. The general experience has been that when British and Americans have met to accomplish a clearly defined piece of work the results have been excellent. The framework of collaboration between the Allies and Italy has been outlined in General Alexander's first series of decrees. Provided they respect the authority of the occupying power, Italian citizens are free to go about their

normal business. Their property and liberty are guaranteed. All Italian administrative and judicial officials are to continue in office under the authority of the military government. The *status quo* is in fact to be maintained except for two important exceptions: "the exercise of the powers of the Crown of Italy shall be suspended during the period of military occupation"; and "the Fascist party will be dissolved and all discriminatory decrees and laws annulled." These two decrees show that the Allies are wisely looking beyond the immediate issues of pacification. They have their eye on a later day when, it is to be hoped, an Italy will emerge which can take a respected place among the liberated nations of Europe. Such a renaissance would be hampered if the Allies were to compromise in any way with the discredited Fascist administration. Italians must be found with whom the Allies can work. If they collaborate, will they not become quislings in the eyes of their own people? By only suspending the powers of the Crown and underlining the purely military character of their Government, the Allies are doing all they can to emphasise the temporary nature of their authority, and to direct the Italians' attention to the day when the powers of the Crown—in other words, the full sovereignty of the people—will be restored. In such conditions the collaboration of Italian officials can hardly be twisted to mean a betrayal of their country's interests. There remains the problem whether, having dissolved the Fascist party, General Alexander will have any officials left with whom to collaborate. The whole political superstructure of Italy was, after all, Fascist. In all probability, the military authorities will not experience this difficulty. The Fascism of thousands of Italian officials was purely nominal. Indeed, the compulsory party badge with its motto *PNF—Partito Nazionale Fascista*—was usually said to mean *Per Necessità Familiare*—"by family necessity," or "I have to do this to keep my children fed." There were, of course, cells of convinced Fascists and also party spies and agents. But the Allies will get some help from Italians in rooting out these long-detested personalities. For the rest, the Italian official, like the Italian peasant, will be quite glad to carry on with his work.



"Here's Luck!"

What does the connoisseur ask for in his whisky? He asks for a delicate bouquet, a velvet softness and a genial afterglow—in fact he asks for

WHITE HORSE

MAXIMUM PRICES: Bottles 25/9;—Half-Bottles 13/6

Bombs on Rome

No one can take much pleasure in the thought of bombing Rome. The fact that it is the headquarters of the Fascist Government is only a very temporary and trifling incident in its long, and, on the whole, magnificent history, and damage done to anything in Rome, apart from military and industrial objectives, and some of the monstrous modern Fascist buildings, is a loss for Europe and for the world. This is true equally of Wren's City churches or Cologne churches or the ancient buildings of Rotterdam or Lübeck. The emotions aroused are stronger in the case of Rome because there is more beauty in Rome to destroy. Bombing is a hideous business. So is war. The justification of the one horror is that it shortens the other, and it is only in the light of military necessity that the question—should the Allies bomb Rome?—can be answered. Two arguments have been brought forward, the first that Rome is a great railway centre for all Italy, secondly, that the city is the administrative nerve centre of Fascism, and that neither the efficiency nor the morale of the Italians could stand an attack upon this vital point. The first argument can be accepted, with the rider that it does entail continuous bombardment. Marshalling yards are quickly restored, and the raids will have to be frequent to secure a permanent interruption. As for the second, bombing on a scale sufficient to wreck Rome as an administrative centre would mean such a destruction of universal works of art, quite apart from damage done to the neutral Vatican City, that the harm done to Allied opinion—particularly in America—might far outweigh any beneficial effects in reducing the courage or efficiency of the Italian people.

Organisation and Efficiency

The latest contribution to the defence of what he describes as big business was provided by Sir Malcolm Stewart in his comments to the shareholders of the Associated and British Portland Cement companies. What Sir Malcolm is really defending is monopoly, secured not by limiting access to raw materials, but by organisation of the industry to fix prices and, effectively, to prevent new entries. It is stated that between 1925 and 1938, when prices, but not production, were mainly controlled by the Cement Makers' Federation, costs fell by 32 per cent and prices paid by the consumer by 34 per cent. This, Sir Malcolm contends, was achieved as a result of the elimination of "cut-throat competition." The temporary increase in margins enabled the group to engage in research, while organisation made it possible to concentrate production in the most efficient works, to modernise those which were out of date and to move those whose geographical situation was unfavourable. It was then possible to reduce prices and so to expand production without impairing financial stability. This, he says, is true efficiency, which is the object of the whole process. No one will wish to deny that there has been progress in the cement industry, but with little chance of new entrants and a controlled price—even if that price is progressively reduced—how is it possible to judge whether the concerns are efficient or not? There is nothing absolute about efficiency, unless complete stagnation in the matter of technological improvement is postulated. Efficiency is relative to the performance of someone else. With differences in the raw materials and equipment available, in the wage rates and the standard of work and in the type of finished product, it is only possible to say whether a firm is efficient by comparison with some independent producer. Sir Malcolm is evidently not quite happy about the existing arrangement, for he admits that price fixing should be subject to some outside check, and suggests the setting up of a Price Survey Council responsible to a Minister of the Crown and charged with the duty of assessing what was a fair price for the products coming within their purview. But there is no means of discovering what is a fair price merely by *a priori* excogitation. Price depends upon quantity sold. The only way of determining whether a given price is fair to the consumer is to see whether someone can produce the article more cheaply. A Government control cannot pass judgment except by reference to the past. For a short period one might assume a given elasticity of demand, based on past experience in a free market, but after a period of controlled prices even that very imperfect criterion would be lacking. The fact is that, while there is much that is attractive about Sir Malcolm's ideas, the elimination of risk of loss, which is his real objective, can only be obtained at the price of risking stagnation. It is all very well to say that over a

decade there has, in fact, been progress. Sir Malcolm had to fight to reach his position. A new generation, nurtured in security, will not have his energy or initiative.

Chemicals and Cartels

Three weeks ago three American chemical companies were indicted by a Federal grand jury, under the anti-trust laws, for creating a worldwide control "in conspiracy with German, British, Italian, Japanese and other foreign interests." The indictment alleged that the defendants and the foreign companies had divided the world into extensive non-competitive areas, and obtained monopolistic control in the United States by the pooling of patents. The cartel, it was said, embraced titanium compounds used in the production of strategic war materials, and, it was added, the British Titan Products Company, Ltd., owned jointly by Imperial Chemical Industries, Limited, the Titan Company, Incorporated, and other British companies, was allocated the British Empire market. The wording of the indictment, as reported in the British press, has given rise to misinterpretation in this country, owing to the difference in the laws governing business transactions in Great Britain and in the United States. Under the anti-trust laws of America, which have no counterpart in this country, contracts, combinations or "conspiracy" in restraint of trade are illegal. As Lord McGowan, chairman of Imperial Chemical Industries, pointed out in the House of Lords on July 15th, cartels, which he likened to a system of trade agreements, are perfectly legal in this country. Some of them date back to the very beginning of the chemical industry, and have, without doubt, "greatly helped in the scientific development of that industry." The underlying principle of ICI, Lord McGowan said, has been to retain as far as possible the Empire market for the Empire. The Lord Chancellor confirmed the legality of cartels in this country, and emphasised, very properly, that there is nothing to suggest that ICI has been guilty of practices contrary to British law. Thus the debate in the House of Lords was useful in clearing ICI of unfounded charges. But it also emphasised the need for a re-examination of the legal framework within which British business operates. Monopolies are not conspiracy in this country; but the time has surely come for a fact-finding enquiry into business methods which could serve as the basis of a new legal framework in which the restraint of trade by any means would be condemned.

Coal Production

The operations in Sicily and the imminent invasion of Europe foreshadow a demand for many million tons of coal exports. They add a sharp point to the important proposals for increasing the production of coal, which were discussed by the Miners' Federation at its annual conference this week. The Minister of Labour told the conference bluntly that the coal crisis is the only thing that may prolong the war, and that desperate remedies to meet the manpower situation have already become necessary. By the end of this coal year (that is, by March, 1944) the labour force will have fallen to about 690,000—Mr Arthur Horner places it at 660,000, with the loss of some 30,000 men a year through injury, disease or death—and the Government has estimated that this figure will have to be raised to about 720,000 or 750,000 to meet the nation's coal requirements. Mr Bevin created something of a sensation when he announced that he would have to direct youths of 16-18 into coal-mining. Many delegates were apprehensive about the reactions of the miners in their own area, and they know the reluctance of parents to send their young sons into the pits. It is, of course, only logical to apply the same powers of compulsion to mining as to the Services, since coal is vital to the war effort. But boys of 16 are not conscribed for fighting or for any other work. On the other hand, no men from other industries, or from the scheme for allowing youths to opt for mining, which has yielded such disappointing results, only about 3,000 boys having chosen mining since last autumn. This step may be unavoidable. But the addition of more boys and youths to the industry will make it more important to improve the conditions, status, remuneration and prospects of juvenile entrants. The Miners' Conference called unanimously for the immediate adoption of the recommendations of the Forster Committee on juvenile recruitment.

Government's failure to organise the industry on an effective "basis of national service," as promised in its own White Paper; it was alleged that compulsion had been a one-sided affair; an end was demanded of the present divided control, whereby the Government has operational control without financial responsibility. The Conference agreed that the district bonus scheme had failed to provide an incentive to production, and called for the adoption of a pit basis. These points are all pertinent, for the failure to reorganise the coal industry to meet the needs of war has been conspicuous and blameworthy. But the Conference might have said much more about the contribution of their own rank and file to the failure—absenteeism among the young, active and reserved. It is wrong and prejudiced to put all the blame, or even most of it, on absenteeism. Failure to reorganise has been more important. But absenteeism has played a big part—the bigger because there has been no reorganisation and the manpower position in the industry has reached a crisis.

World Trade

"The failure of distribution has been the greatest problem in the past." This, significantly, is the keynote of a scheme composed by Sir Edgar R. Jones for a World Trade Alliance to "regulate the distribution of the main export products of all countries." On what basis the apportionment of markets is to be made—1929, '39 or '49, 1933, '43 or '53?—is not stated, but is clearly of critical importance. The general objectives of the scheme—satisfactory levels of employment and steadily improving standards of living in every country—are unexceptionable. The specific proposal that, after the success of the Hot Springs conference on food production and distribution, a similar conference should be called on raw materials deserves strong support (the multitude of commodities included in the term of raw materials would, incidentally, make this subject vastly more difficult than food to deal with at a single conference). It is not certain, however, that the sponsors of the Alliance have either grasped the nature of the long-term problem (as distinct from the immediate short-term problem of relieving the war-devastated areas of the earth) or understood the basic ideas of the Hot Springs proposals. How the scheme would actually work in practice is not quite clear, though at the inauguration of the Alliance on Monday one speaker, Lord Davidson, made a remark that is suggestive:—

Unless there is some system of agreement by which the prices of essential raw materials and products are stabilised at a fairly high level, we and the United States will be unable to maintain our standard of life.

This is neither true as a statement of fact, nor is it what was proposed at Hot Springs. Since the agreed objective is to increase consumption, it is fairly low not fairly high prices that are needed. Primary producers should indeed be guaranteed a greater stability of prices in the future than in the past, but only to prevent disastrous fluctuations, not to raise the average reward to efficient producers over a period. At Hot Springs, the problem was clearly and rightly seen as one, in the first place, not of distribution (as Sir Edgar Jones contends) but of production. Looked at from one end, the real task is to increase the selling power of producers by enabling them to produce more efficiently and so to sell more at lower prices; looked at from the other end, it is to increase the buying power of consumers by enabling them also to produce more efficiently and so to buy more in exchange. It is a problem, fundamentally, of productivity, and cannot be solved by the surface manipulation of export quotas or price levels. The main proposals made at Hot Springs went to the heart of the matter. They were, first, that output per head should be increased to the utmost, in both industry and agriculture, by efficient specialisation; and, secondly, that a fair world distribution of the product should be secured by freedom of exchange and investment, with the supplementary aid of direct inducements to consumption. If the World Trade Alliance, which is to be run by business men and not, *horresco referens*, by bureaucrats, will throw its weight in these directions, it will find worthy work to do. If, on the other hand, it concentrates on the old devices of sharing out markets and fixing prices, then—however high its motives may be—it will find the old paradox of over-production and under-consumption still unresolved, and the very "anarchy" it seeks to escape will still persist.

The Cost of Reconstruction

The answers to two crucial questions are omitted from the remarkable Plan for reconstructing the County of London. How much will the proposed programme of rebuilding cost? And how will the cost be met? It was not, of course, possible for Mr Forshaw and Professor Abercrombie, who prepared the Plan, to solve either of these problems themselves. The first would require foreknowledge of the course of prices, wages, interest rates and building technique for 50 years ahead; the second can only be solved within a national framework of reconstruction finance put together by the Government. The two questions are obviously not unconnected; the greater the expense of building projects, either in terms of money or in terms of the labour and material resources employed, the greater the burden to be shared, as the Government decides, between rates, taxes and loans. The authors of the London Plan are no doubt right when they say that the cost of developing London during the next 50 years would have to be incurred in any case, and that the choice is between money well or ill spent, resources well or ill used. So, too, up to a point, are the people who say, with all the contemporary scorn for financial considerations, that, if the labour and materials are available, the job can be done. But the questions of cost and payment stand unshaken by these general truths. To ask the question "Will the labour and materials be available?" is just another way of asking "What would it cost to make them available?" and "Who will meet that cost?" It is for the Government to decide, first, what share of national resources, what proportion of national investment, is to be absorbed by building—and, in particular, by urban reconstruction—in competition with other claims; and, secondly, how the price of securing and using these resources is to be apportioned between individual, local and national pockets. At this stage, two things, at any rate, are certain. On the one hand, a decisive factor in determining what is possible will be the productivity of the building industry—that is, the cost of building in terms of output per man. On the other, the lion's share of the cost must come from the national purse, because neither individual nor local resources are likely to be capable of taking the strain. It is true that building projects, apart from public works, directly recoup a part at least of their cost through rents and rates; but the war-time spread between building costs and average incomes suggests that working-class house dwellers will be less able than ever to cover the economic cost of their dwellings; and, as an article on page 97 suggests in another connection, the system of local rating will be entirely incapable of coping with all the charges that are likely to be placed upon it after the war.

The Population Debate

It was a wide and on the whole useful debate that took place in the Commons last week on the trend of population. Members of all parties showed themselves concerned at the future size and age structure of the population, and though some emphasised the predominance of one factor in

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

influencing the birth-rate and some another, the general impression was that the motives are deep-seated and complex. It was consequently very unfortunate that the only complacent speech should have come from the Government Bench. Not that Mr Ernest Brown admitted that he was satisfied with the trend of population—in fact, he took care to point out that he was as concerned as anyone. But he wrapped his concern in such negative phrases—for instance, "I do not want to say that the check [in the rising birth-rate] has not gone too far—indeed, I would not say that it has not gone perilously far . . ."—that it is impossible not to feel that he, the Minister responsible for the health of the nation, is unaware of the full implication of the present trends in the birth-rate. Why else should he have been at such pains to labour the fact that, if the nineteenth-century trends had continued, the population of this country would have risen to 111 millions by 2001 and to more than 300 millions by 2101? People are not concerned with such would-have-beens. They want to know, first, the likely size of the population at the end of another generation if the rate of reproduction continues at its present level and, secondly, what steps can be taken to prevent it from becoming a declining, ageing population. Mr Brown said that the Government intends to institute an enquiry on the broadest basis into the whole question of the birth-rate and the population. This is at least a positive step, but its usefulness will depend partly on the speed with which it can be completed—at present its terms of reference are not yet drawn up—and largely on whether it will be conducted in the same spirit of complacency that seems to inspire the office of the Registrar-General in these matters—to judge by the White Paper on population that appeared last year.

War Pensions in the House

On the whole, considerable approval was given by the House of Commons to the new scheme of pensions for disabled ex-Servicemen and their dependants. Members welcomed particularly the accident concession—which allows any accident sustained by a man in his spare time, while travelling to and from home on leave or short pass, while travelling to or from duty, or sustained when actually on leave if he is serving overseas, to be attributable—and also the concession allowing an unemployable disabled man to be given family allowances if he marries after his disability occurred. Most of them, however, urged that this latter concession should be granted to all disabled men, and there are certainly strong practical reasons why it should be. There will be great difficulty in determining a man's unemployability. The regulation will say unemployable because of his disability, but Sir John Anderson made it quite clear that he need not be 100 per cent disabled—in the pensions classification—to be unemployable. This is evidently intended to allow as much latitude as possible in bringing cases within the scope of the concession; but when the present state of the labour market is reversed, it may be hard to decide whether a man who is refused work because employers prefer someone completely fit is unemployable on account of his disability or not. In fact, the Ministry of Pensions' counter-slogan to "fit for service, fit for pension"—"pensions plus employment"—will be seriously tested for the first time after the war. It is very gratifying to learn that only a minority are totally disabled, that even these can sometimes undertake insurable employment and that the majority of disabled are able to return to a normal occupation—which in no way affects their receipt of a pension. It is a great tribute to the Ministry of Pensions, which has for long been a pioneer in the rehabilitation of the disabled, whether pensionable cases or not, that so many ex-Servicemen are medically employable. It is the Ministry of Labour's job to see that this good work is not lost.

The Liberal Dilemma

The meeting of the Liberal Party Assembly last week reflected the dilemma in which Liberal politicians find themselves to-day. There are at least three broad divisions within the party itself. On the extreme right are the diehards, diminishing both in numbers and influence, who moved a resolution (which was heavily defeated) calling for a return to unfettered freedom of trade and enterprise. They tend to think in terms of pre-1914, rather than pre-1939, and to look upon the Milk Marketing Board as a greater enemy to

mankind than Hitler. At the other extreme is the Radical Action Group represented by Mr T. L. Horabin and Mr Clement Davies, with a programme for complete economic planning and state control which was too strong meat for the Conference. In the centre stands the main body of the Liberal Party, though with many internal cross-currents even here, pulling both to left and to right. On the fringe, outside but knocking at the gate, are Mr Ernest Brown's Liberal Nationals. At the Assembly, Sir Archibald Sinclair welcomed the overtures that Mr Brown has made for reunion. The Liberal Executive now accepts increased planning and continued control after the war—that is, it has repeated more explicitly the constructive approach to public policy which produced the Liberal Yellow Book of 1928, the most sane and realistic political programme of the inter-war years. It has never been true for over a generation, except of a minority, that Liberals are merely individualists and no more. The Executive now advocates a Minister for Industry, with an Economic General Staff, and a National Investment Board, with broad powers to take the necessary measures to overcome slumps, and it recognises that the aim of social security and higher standards of living can only be secured by planning. Like Labour, the Liberals support the electoral truce as a *pis aller*, and, like Labour, they want to be free of Conservative domination after the war. It may be that the Liberal programme, which is in essence the programme of 1928, does not set a pace sufficiently speedy for the post-war electorate. But it is not entirely without importance, as has been pointed out by Mr Roger Fulford, that the Liberal party will enter the peace, not only as the party least compromised in the making of the war, but also as the only party which, before the war, had a constructive and positive programme of the kind that no party will be able to do without after the war. On the other hand, it remains a doubtful question whether the party is capable of impressing these truths upon the electorate.

Shorter Notes

The court of inquiry into detention barracks will consist of Mr Justice Oliver as chairman, with the Bishop of Reading and Lord Moran (formerly Sir Charles Wilson), President of the Royal College of Physicians, as the other members.

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
May.....	584	733	1,317
June.....	201	284	485

Totals to date.... 49,690 59,005 108,695
Of those killed in June, 118, were men, 67 were women, 15 were children under 16 and one was unclassified.

Extract from *Hansard* of July 16, 1943, reporting the population debate:

Sir Francis Fremantle: . . . I propose that there should be legislation to control the sale of Conservatives [Laughter].

The Deputy-Chairman: I think that that would be too definite.

Sir Francis Fremantle: I meant, of course, the sale of contraceptives. I withdraw any reflection I may have made on any one political party . . .

In a parliamentary answer this week, Sir Kingsley Wood stated that the cost of stabilising the cost of living will amount to £210 millions in 1943, including the cost of the special health schemes for milk and vitamins. The subsidies are now applied to clothing, but to a much smaller extent than to food where subsidies are now given to bread and flour, potatoes, sugar, milk, meat, bacon, eggs, canned fish and tea. From figures given in the Budget White Paper, it appears that the cost of stabilisation has risen considerably this year, for in 1940, 1941, and 1942 it was only £70 millions, £142 millions and £150 millions respectively.

AMERICAN SURVEY

Planning in the Rockies

(From a Correspondent in Colorado)

Denver, May 31

TO a greater degree than most other sections of the United States, the Rocky Mountain area must look to the reconstruction of its economy at the end of the war. What is popularly described as the Rocky Mountain area embraces eight of the forty-eight states (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming). The region contains barely three per cent of the nation's population, yet covers thirty per cent of its area. Within the span of three generations it has witnessed the rise and decline of economic empires, in which British capital has played no insignificant part.

A century ago, whole communities deserted their homes in the Eastern states to seek the fabulous wealth of the Western mountains, where only a pick and shovel were needed for capital in mining the gold, and where investments in silver, copper, lead and zinc proved the foundation of many a celebrated American fortune. Within a few years after the first gold rush of the 1850's, the farmers of the older states were earnestly pleading for protection against the menace of the Western Plainsmen, who were raising their cattle and grains on free homestead land so cheaply that the established breeding farms along the Atlantic Coast could not compete. The British Government was even persuaded in 1879 to prohibit the entry into the British Isles of meat from the Western prairies because their cattle were allegedly infected with Texas fever.

By the turn of the century, it was evident that the economy of the Rocky Mountain states had completed a cycle of feverish exploitation. The free range of buffalo grass for grazing was gone. The semi-arid soil, diverted from extensive grazing to relatively intensive farm uses, crumbled and became the Dust Bowl. Ghost towns of abandoned structures testified to the story of frontier settlements that had grown into cities overnight, enjoyed a boisterous heyday, and ceased to be when the rich veins gave out. Far Western agriculture and industry had begun to feel the competition of still newer lands beyond the boundaries of the United States, and in due course sought tariff protection against that competition. Now the cattlemen of the inter-Mountain plains are publicising the menace of foot-and-mouth disease in Argentine cattle, though their fathers were the victims of the earlier propaganda against Texas fever.

To-day the familiar symbols of the economy of the Rocky Mountain states—upon which their social and economic stability is deemed to depend—are sugar beet, livestock, wool and silver. None of these has been able to withstand the strain of competition unaided by protective legislation. To keep them alive, and to keep alive the scattered communities which serve as distributing points for the vast area, the population of the Western mountain country has had to look to the united strength of its representatives in Congress. The Silver Bloc in the Senate has made certain that the silver of the Rockies is continuously bought by the Government at a fixed price high enough to justify the continued extraction of the ore. The same bloc, trading votes as needed with the manufacturing centres of the Atlantic Coast and the agricultural states of the Middle West, provides by national legislation for the tariffs, bounties, quotas and subsidy payments whereby the markets of American-grown sugar-beet, wool and cattle are supported. Should the combined voting strength of the sixteen Senators—one-sixth of the voting strength in the Senate—become divided, the extractive bases of the region's present economy would be gravely threatened.

The more forward-looking citizens of the Rocky Mountain area realise that a future depending largely upon such uncertain props, however necessary for the present, is not one to be bequeathed serenely to the post-war generation. The outlook of the region in its physical aspects is promising. The immediate problem is the familiar one of overcoming the drag of those "best citizens" of the area who, having made their mark and grown tired, would concen-

trate their remaining energies on the preservation of the status quo.

The thinking of those who are assuming responsibility for post-war planning in the Rocky Mountain states takes two lines. First there is the problem of increasing the efficiency of the already-established key industries, so that they may justify their existence with less dependence upon legislative protection and its resultant tendencies toward sectionalism and non-co-operation with the outside world. The other is the inauguration of a new stage in the exploitation of the still unutilised natural resources of the area.

An example of the consideration given to increasing the efficiency of specific industries is the attention now focused upon the area's production of sugar from beet—a leading cash crop valued at approximately \$60 million. In the growing of the crop, simple mechanical means have been



devised which promise to eliminate the tedious hand labour of weeding and topping—a work that otherwise involves the low-paid help of women and children, and accounts for the importation of Mexican labour. In the refining of the sugar, attention is being given to all-year-round utilisation of the refineries which are now kept busy only during the three months of the post-harvest period. The possibilities look favourable for utilising the sugar refineries as dehydration plants. The wide development of dehydration is favoured not only to provide employment for the remainder of the year, but also to extend the market for local farm produce.

A more ambitious programme concerns the correction of hit-and-miss land-use by a long-range land policy. In view

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

July 24, 1943

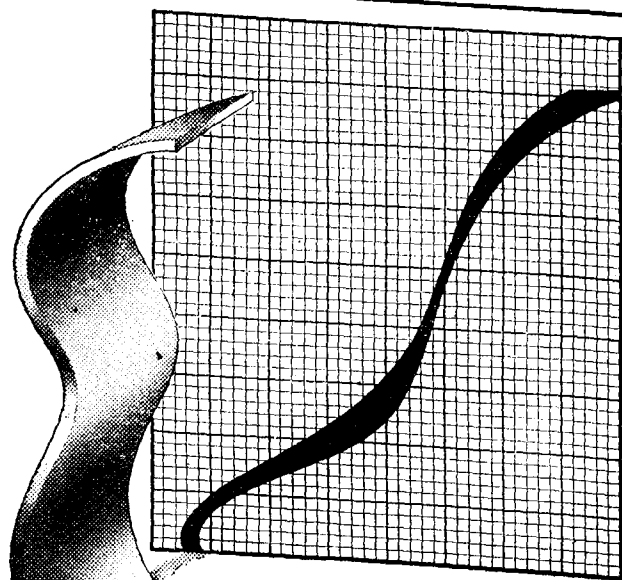
of the tendency of the former grazing areas to powder into desert dust under forced crops, a new land policy contemplates the gradual restoration of the natural buffalo grass to those areas which are unfit for intensive cultivation. The programme also contemplates a grouping of the farm population for dairying and suitable truck crops in the rich oases with which the generally semi-arid country is dotted.

In the minds of those familiar with the natural resources of the Rocky Mountain area, rich new frontiers are awaiting conquest in the post-war period. The coal deposits just east of the Rockies, in the states of Colorado and Wyoming alone, have been estimated by the Department of the Interior at 958 billion tons; this would mean the equivalent of thirty tons per year for each family in the United States, taking its present size of population, for a thousand years. In the total known reserve of eighteen billion barrels of crude oil in the entire United States, the Rocky Mountain states account for about five per cent of the liquid total. But in the corner where the mountain states of Colorado, Wyoming and Utah meet, there is an estimated reserve of oil shale equivalent to 40 billion barrels of crude oil, or more than twice the known liquid reserves in the entire country.

Looking at the trend of present research, those interested in the area do not limit their vision of the uses of the resources in carbon to consumption for fuel. They look to the day when these resources, like the rich deposits of gilsonite and gypsum on the western slopes of the Rockies, will be important sources of a new galaxy of plastics and synthetics.

Implicit in the consideration of both old and new industries is the problem of determining which of the hastily developed but important new plants for military fabrication, which have come to the Rocky Mountain communities because of their safe distance from possible coastal warfare, can be profitably retained for post-war industry. The manufactures in these plants include small arms ammunition, chemical warfare products, armour steel, precision instruments, engines and even warships transported by rail in sections for assembling on the Pacific coast.

What these new plants have meant in the sudden industrialization of rural areas like the Mormon state of Utah



THE COMING TREND

The trend in business furniture after the war will be more than ever towards the precision and permanence of steel. Sankey-Sheldon, in preparing to meet this growing trend, have realised that to this efficiency of steel must be added beauty—the beauty of soft contours finished in harmonious colour schemes and warm, caressing coverings. Sankey-Sheldon's post-war programme will provide a wide range of furniture and equipment, clean and hygienic, fire resisting and practically impervious to damp, dirt and deterioration. There is something inevitable about Sankey-Sheldon steel furniture.

SANKEY-SHELDON
STEEL FURNITURE & EQUIPMENT
Chief Office: 46 Cannon Street, London, E.C.4

Also Harris & Sheldon Ltd.
Makers of Shops

may be illustrated by simple statistical comparison. In the census of 1940, the total assessed valuation of the property in the state of Utah amounted to approximately \$560 million. It required almost exactly a hundred years for the state to accumulate this total. Yet in the past two years, another \$560 million has been added in new plants. A single steel mill established near a small Mormon college town alone accounts for a new investment of nearly \$180 million for the production of pig iron and steel in one of the few areas of the Far West where iron ore and coal are available in close proximity. It can only be surmised what the importation of skilled labour from the East and from the surrounding farms to man the new plants will mean in the way of social and economic transformation of the area.

Tied to the post-war economic planning of industry in the Rocky Mountain area is a consideration of its future in the transportation picture. Many lines of manufactures, in foods, paper boxes, textiles and metal products, have awaited a more equitable position for the Rocky Mountain area in the structure of railroad freight rates; the Coastal states have had the further advantage of water competition at the expense of the inland Rocky Mountain states. The Rocky Mountain area looks to an emancipation from this disadvantage as it prepares for the age of air-borne cargo along an already operating south-to-north highway of the air, from South America through Mexico City, El Paso, Denver and northward into Canada.

While the trade associations of individual communities are busily engaged in mobilising their resources for the post-war period, an effort is under way to join their findings in a region-wide plan.

American Notes

Presidential Bombshell

The open strife between Mr Wallace, the Vice-President, and Mr Jones, the Secretary of Commerce, was reported in these columns two weeks ago. It caused some stir at the time and provided the text for a great deal of head-shaking among the habitual critics of the Administration and its goings-on. But the affair was dying down, when the President suddenly, on Thursday of last week, turned it into a political sensation of the first magnitude. He issued an Order taking away both from Mr Wallace and from Mr Jones the whole of their functions relating to foreign purchasing and economic warfare generally, which had been the subject of the quarrel. The Board of Economic Warfare was abolished completely, and the whole of its functions, together with those relevant functions hitherto performed by Mr Jones's Reconstruction Finance Corporation and its subsidiaries, were transferred to a new Office of Economic Warfare under Mr Leo Crowley, hitherto Alien Property Custodian and before that head of the Federal Deposit Insurance Corporation. With this Order there was issued the text of a letter sent by the President to the heads of all administrative agencies, instructing them that if they, or any of their subordinates, henceforward wish to air in public policies, they must first resign. That strife and back-biting action can be expected to have any effect is common ground among all commentators, and on this aspect of the affair long ago. The political aspects of the matter, however, are rather wider. Formally, even-handed justice has been meted out to both miscreants. Actually, the punishments are very uneven. Mr Jones is still Secretary of Commerce and administrative functions, and left only with the decorative Moreover, Mr Crowley is much more of the Jones than of the Wallace stamp. It looks, therefore, as if Mr Roosevelt has deliberately snubbed his own chosen running mate of New Deal, in order to favour a couple of conservative businessmen. This may not turn out to be the true interpretation, but for the moment it holds the stage, and the incident has not escaped notice. The new OEW is formally Byrnes, the Director of the Office of ex-Senator and ex-Justice thus adds to his already very extensive powers. Mr Byrnes is hardly a conservative, but he is a Southerner, and he is popular in the Congressional wing of the Democratic party.

July 24, 1943

If Mr Roosevelt is going to run again in 1944, and if he has decided to have a new running mate, a popular Southerner would be a logical choice. Meanwhile, the country is being edified by the spectacle of the New Dealers attacking Mr Roosevelt.

Republican Fissures

The Democrats are not the only party with internal fissures in evidence. The conflict between Mr Willkie and the ex-isolationist leaders of the Republican Party is becoming daily more open. The convention of a body calling itself the Republican Postwar Policy Association, and containing among its members a number of Republicans of unimpeachable loyalty and standing, such as Senator Austin of Vermont, has openly advocated Mr Willkie's re-nomination. Isolationist organs such as the *Chicago Tribune* and the New York *Daily News* are no less openly saying that this would be a disaster hardly smaller than a fourth Roosevelt term. Mr Willkie has challenged the famous Colonel McCormick, of the *Chicago Tribune*, to contest with him the Republican Primary in the Colonel's own state of Illinois. The Colonel has declined, saying that his man for 1944 is General McArthur. The whole situation is puzzling the prophets. Mr Willkie is anathema to the professional politicians, who would like to nominate Governor Dewey or Governor Bricker or someone else of the same stamp. Mr Willkie will not have very many supporters among the delegates to the nominating convention from the states where the selection is in the hands of the party machines. On the other hand, there are a number of states where delegates to the convention are chosen by a primary election, and no one can tell how much strength Mr Willkie may have among the Republican voters. There is every indication, however, that it will be very large.

Food Figures

A speech made by Mr Roy F. Hendrickson, Food Distribution Director of the War Food Administration, contained a number of figures which give the measure of the food problem. The production of food, with the assist-

ance of favourable weather, was very high in 1942, and some decline is almost inevitable. Some 3,000,000 farm workers had left the farms either for the armed Forces or for industry, by the beginning of 1943, and though a further 3,000,000, still on the farms, have been protected by deferment, an acute labour shortage remains. The main difficulty does not, however, arise on the supply side. The shortage of food is fundamentally due to the fact that the American public is eating—or, rather, is trying to eat—much more than it ever did before. For example, the average meat consumption in the years 1935-39 was 126 lb. per head per year. This year, if there were no limit to supplies, the demand at the prevailing ceiling prices would be 160 lb. The prospective supply is still about 126 lb., but the "shortage" leads to rationing. Similarly, in the case of fats and oils: the pre-war consumption was 48 lb. per person, and the prospective supply is 46 lb., but unrestricted demand would amount to 55 lb. It is unlikely, however, that Mr Hendrickson's figures will dissuade the American public from talking about a "shortage," or from believing that exports of food have something to do with it. Of the total food supply over the next twelve months, Mr Hendrickson said that 75 per cent would go to civilians, 13 per cent to the armed Forces and war services, 10 per cent would be exported under Lend-Lease, and 2 per cent would go to American overseas territories and special needs. Whether these estimates can be adhered to will depend largely on the success that the Office of Price Administration makes of the rationing system. That agency is currently going through another of its recurrent crises. Mr Lou Maxon, a former Detroit advertising man, who has been serving as general manager of the OPA, has generally been regarded as the advocate within the OPA of the food industry's policies, and as less fearful of inflation than some of his colleagues. He was instrumental some weeks ago in forcing out of the agency a number of executives who were left from Mr Leon Henderson's regime, and who retained their belief in the necessity of strict control. His victory, however, was apparently incomplete, as he has now resigned with many high words about the academic incompetence of the Office. He has been replaced by Mr Chester B. Bowles, another advertising man. The policy of the Administrator, Mr Prentiss Brown, is to appease Congress, which involves appeasing the industry. Whether such a policy can produce a workable rationing system is growing daily more doubtful.

THE WORLD OVERSEAS

Polish Cross-Roads

FOR the first time since Marshal Pilsudski's *coup d'état* in 1926, the Poles have formed a purely civilian Government. M. Mikolajczyk's Cabinet has the backing of the four largest Polish parties, from Right to Left—the National Party, the Labour Party, the Peasant Party and the Socialists. Between them the Nationalists, the Peasants and the Socialists commanded an overwhelming majority of votes in Poland between 1919 and 1939; and, at the moment, they control the main bodies of underground resistance there. Only the extreme Right, the Pilsudskists and the Communists, have remained outside the new coalition in exile, though the spokesman of the Pilsudskists, General Sosnkowski, has been appointed Commander-in-Chief. The new Prime Minister is a member of the Peasant Party, which fits in well with the peasant character of the Polish nation.

The new Government takes office at a moment when Polish policy is confronted with a number of difficult and critical problems. In the solution of these problems, the Poles will no longer benefit from General Sikorski's political experience and from the moral authority which the late Prime Minister commanded both among his countrymen and the Allied nations. A great personality and a great name have disappeared from Polish politics. The new Government can only prove itself by great wisdom.

The problems with which it is confronted are twofold, domestic and foreign; and one central domestic issue has already emerged. After the death of General Sikorski, there was a difference of opinion between the new Prime Minister and the President, when, on behalf of the coalition which he

leads, the Prime Minister objected to the appointment of General Sosnkowski as Commander-in-Chief. The appointment was nevertheless made, because the President was able to make use of the prerogative which he enjoys under the constitution of 1935. This constitutional point is of considerable political significance. The Polish constitution of 1935 was passed by the Polish Diet a month after the death of Marshal Pilsudski. Marshal Pilsudski himself had ruled in an authoritarian fashion without changing the democratic constitution of 1921. He could afford to do this, because his dictatorship was based, not simply on the use of force, but also on the personal authority he enjoyed, rightly or wrongly, as the founder of Polish independence. His successors possessed no such asset; and, in order to secure their dictatorship, they devised a new and highly authoritarian constitution. Even in the Diet of that time, however, which had been "elected" by all manner of devices, the Pilsudskists did not possess a majority sufficient to pass this new constitution. The deed was done by a minor *coup d'état*. Shortly before the vote, a number of deputies belonging to the Opposition were arrested; and the vote itself took place after the representatives of the Opposition had been tricked out of the Diet.

The Constitution of 1935

The constitution which was thus introduced, and is still in force, has a number of striking features. It disregards the rights of citizens in the democratic sense; and it establishes irresponsible government. Perhaps it can best be

judged by a scrutiny of its more important articles. Article I says that "it is the duty of each generation to increase the power and authority of the state by its own efforts." Article VII says that "the right of a citizen to influence public affairs will be valued according to the worth of his efforts and services to the common good." Article XV declares that "the President of the Republic is not responsible for his official acts." Article XVI, which provides for the election of the President by a small and carefully chosen college of electors, lays down that the choice must be between two candidates only, one proposed by the Assembly and the other by the retiring President; the Presidency takes on a semi-hereditary character. Article XXVIII states that "the Prime Minister and other Ministers are politically responsible to the President and may be dismissed by him at any time." Article XXIX allows the Diet to ask for the resignation of the Cabinet without making such a demand mandatory. Article XXXI permits the Diet to approve but not to reject the annual budget.

At first, all the parties of the Opposition, Right and Left, refused to recognise the legal validity of this constitution. Later, they had to bow, not so much to the constitution, as to the military and police power behind it. After the fall of Poland in September, 1939, the leaders of the authoritarian regime set up many years before handed over the Government to the Opposition; but the transfer was carried out within the framework and on the basis of the constitution of 1935. The result was highly anomalous. The parties which make up the present coalition Government all denied the legality of the constitution in 1935; yet they have all adhered to it since 1939. The dilemma with which they are confronted is one which is likely to arise, and in some cases has arisen, in many other European countries. It is the conflict between considerations of constitutional continuity and the need for genuinely constitutional government. In several instances already continuity has had to be sacrificed for the sake of liberty, the letter of the law for the sake of the spirit. The Czechs in exile do not recognise the Hacha Government. The French in exile have repudiated the claims of the Pétain regime to legitimacy. So far, the Poles have sacrificed the content of constitutionalism for its form. There is, of course, a difference between them and the Czechs or the French. The unconstitutional constitution of the Poles was made four years before the outbreak of war and not under the pressure of a foreign invader.

A Wide Issue

The problem is of much more than merely academic interest. There is a contradiction, still unresolved, between the political outlook of the Polish Government and the prerogatives of the Polish President; the appointment of the new Commander-in-Chief was the first, but probably not the last, expression of this contradiction. Moreover, the constitutional issue has a critical bearing on the future government of Poland. If the Poles in exile return to their country with the constitution of 1935 they will go back with the legal framework of an authoritarian regime still intact; if, however, their new Government re-enacts the constitution of 1921, the ground will be prepared for a liberal system of government. The matter is of great importance for the people of Poland. Nor can public opinion in the Allied countries view it entirely with indifference, for Poland's position in the world after the war must depend to some extent on the amount of public support and sympathy it can maintain in the countries which have been its wartime Allies. Poland has won the deep sympathy and unbounded admiration of the Allied nations for its sufferings and its contributions to the common struggle. But the degree to which this sympathy will continue after the war will inevitably be influenced by the choice Poland makes between authoritarian and constitutional rule.

The foreign and diplomatic problems that confront the new Polish Government are centred on relations with Russia. The Minister of Foreign Affairs, M. Romer, has declared his Government's determination to follow the lines of General Sikorski's foreign policy. More is going to be needed than the restatement of general principles. While General Sikorski was still alive the expression of a real desire for understanding with Russia, together with adherence to the Atlantic Charter, did not break the deadlock in Polish-Soviet relations. What is needed now is a definition in realistic terms of Poland's future foreign policy.

Poland cannot be expected, on any ground, to accept the Molotov-Ribbentrop frontier of 1939 as the basis of an agreement. So far, however, they have not put forward any constructive alternative to serve as the basis for discussion.

In practical terms, it is useless—and inconsistent—on the one hand, to say that "We will not give up an inch of our territory in the East," and, on the other hand, to claim East Prussia and the whole of Silesia or a frontier on the Oder. It is not possible for Poland to have the cake of the *status quo* in the East and to eat it in the West.

The difficult but very pressing task of the new Minister of Foreign Affairs is to find some workable compromise as a solution for the problem of Poland's eastern frontiers; and there is some reason to believe that proposals of this kind would not fall on entirely deaf ears in Moscow. In his conversations with General Sikorski, for instance, Marshal Stalin suggested the return of Lvov to Poland. If there is a reluctance to consider any compromise, then Polish policy and Polish prospects will be exposed to grave risks. In diplomacy, as on the battlefield, time is a factor of supreme importance, and it is by no means certain that time is still an ally of Polish diplomacy.

"Full" Employment in Denmark

[BY A CORRESPONDENT]

THERE are only 30,000 unemployed left in Denmark against 150,000 shortly after the occupation. Compared with other occupied countries, the number of 40,000 to 50,000 persons who are employed outside Denmark, that is, mainly in Germany, is relatively small; even before the war, at least half of this number worked in Germany. Numerically, this is full employment. Yet a considerably greater labour force, and therefore a greater amount of man-hours, are needed to produce less than was produced in 1939. The index of industrial production in monthly averages has been as follows (1939 = 100):—

	Total Index	Capital Goods Industries	Consumption Goods Industries
1940	81	76	84
1941	77	74	78
1942	77	81	73

In May, 1943, the total index increased to 83, largely because of a further advance in the production of capital goods. Over the whole period, peat cutting increased from 400,000 tons to 4.6 million tons in 1942, and is intended to reach some 6 million tons in 1943. The production of lignite rose from 20,000 tons to 1.8 million tons. Under public works schemes, the construction of roads increased by 60 per cent, and since the end of 1942 large numbers of workers have been directed to work on fortifications, particularly on the west coast of Jutland. In the manufacturing industries, greater numbers of workers are needed because of the extensive use of substitutes. During 1942, the leather industry processed 12 million fish skins, but only one-third could be turned into fish-leather. The rubber and the textile industries are now entirely dependent on synthetic materials. The largest bicycle factory has had to close down because of the lack of materials. The glass industry has been severely restricted, and the margarine industry is practically at a standstill. Much capital expenditure was necessary for the construction of a steel works and rolling mill based on scrap as raw material, with an annual capacity of 40,000 tons of rolled material. It is reported that the mill is partly in operation, but it is very doubtful whether production can be maintained because of the lack of fuel. Even if it were possible to reach full production in these works, the annual output would cover not more than 8 per cent of the pre-war steel imports.

The heavy cut in the production of consumption goods is accompanied by a decline in quality. The once prosperous agricultural industry, largely dependent on imported cereals and oilseeds, shows a similar picture. During 1942 proper cent, eggs by 43 per cent, and beef by 9 per cent. The better harvest of 1942 caused an increase in the number of pigs to 1,874,000 in March, 1943, or 48 per cent above 1940. In June, 1943, the number of pigs was reported to have reached 1,930,000. In March, 1943, the number of cattle was only 85 per cent of pre-war stocks. The number of laying poultry in March, 1943, was 5.6 million, against 14 million in July, 1939. In 1942, animal production was one-half of the production in 1940.

Denmark thus provides a proof of the fact that overseas imports cannot be replaced by more work and enthusiasm.

In spite of a greater labour force, production has declined alarmingly, and the hope that the bottom of the decline of agricultural production had been reached by the beginning of this year was an illusion. The change has come about in a relatively short time. At the end of 1941, the remaining stocks of overseas materials were distributed, and in 1942 the volume of total imports had fallen to 35 per cent of the imports in 1939.

Detailed statements about Denmark's foreign trade are no longer published, but the value of imports and exports has been as follows:—

FOREIGN TRADE (In Million Kroner)		
	Imports	Exports
1939	1,740	1,578
1940	1,376	1,517
1941	1,311	1,278
1942	1,205	1,038

The actual decrease in Denmark's foreign trade is much greater than is shown by these figures. The wholesale price index (1939 = 100) rose to 93 on the monthly average of 1942, and it may be assumed that the total volume of foreign trade had been reduced in 1942 to one-third of the volume of 1939. In 1940, there were exceptionally heavy exports of foodstuffs to Germany. As is the case with other countries, Germany monopolises Denmark's foreign trade. It is estimated that Germany's share reached 80 per cent in 1941 and was still two-thirds in 1942. The composition of Denmark's exports to Germany is now different from its make-up in 1940 and 1941. The share of agricultural products has fallen considerably, and industrial exports have grown in importance. Next in importance to Germany in Denmark's foreign trade are the other northern countries. In accordance with the so-called "Northern Triangular Clearing" Denmark exports foodstuffs to Norway and Finland against imports of timber and industrial goods. Separate agreements have been concluded recently with Slovakia, Roumania, Hungary, and France, but the actual volume of trade with these countries is small and fixed by quotas.

Germany's Debt

Germany has become the largest single debtor to Denmark. The clearing debt has now reached Kr. 1,376 millions and appears as "Foreign Credits" in the return of the Central Bank. The costs of occupation are carried under the item "Sundry Debtors" and have risen steeply during recent months to Kr. 1,674 millions. The financial situation can be judged by the following items:—

End of Year	Central Bank		Private Banks		Savings Banks
	Notes	Deposits	Advances	Deposits	
1939	600	2,455	2,115	2,179	
1940	742	2,615	1,916	2,116	
1941	842	3,116	1,754	2,333	
1942	983	3,552	1,883	2,589	

There is the familiar increase in the notes in circulation and in deposits of private banks, set against the fall in advances. During the period from March, 1940, to May, 1943, the Central Bank granted credits for financing exports and for the costs of occupation amounting to roughly Kr. 3,000 millions. Financial policy is, therefore, mainly directed towards neutralising this extraordinary liquidity. Last year, Kr. 1,100 million were neutralised by the issue of special bonds and by freezing deposits held by banks in the Central Bank. At present, new measures are being discussed, including an increase in the war profit tax from 75 per cent to 90 per cent. Compulsory saving is also debated, and the taxes on tobacco and alcohol are to be increased.

In the financial year 1942-43, total revenue exceeded Kr. 1,000 millions for the first time, compared with a fairly stable pre-war revenue of Kr. 500 millions. In the last two years, the budget was balanced with a slight surplus. There has been a considerable rise in the nominal national income. During the period 1938-40 farmers almost doubled their nominal income, but it declined in 1941 and, during 1942, costs of production increased considerably. At the end of 1942, the cost of living index was 55 per cent higher than at the outbreak of the war; and it is estimated that retail trade turnover decreased during the same period by 12 per cent in volume. It may be assumed, however, that the actual decrease in the standard of living has been much greater. After the sharp rise in prices during 1940-41, price control became effective in 1942, and the rise in the wholesale price index and the cost of living index amounted to only 5 and

3½ per cent, respectively. Nevertheless, the increase in wages has lagged far behind the rise in prices, which suggests a considerable decline in the standard of living of industrial workers. The period when exports to Germany and the costs of occupation could be financed by drawing on pre-war stocks and capital is over; German demands can now only be met by a further reduction in the standard of living, which until recently compared favourably with that of other occupied countries.

Commissions for Air Crew

[FROM OUR OTTAWA CORRESPONDENT]

June 8th

THE measure by which the Royal Canadian Air Force still falls short of the avowed aim of Air Minister C. G. Power that all air crew should be commissioned is seen in the daily casualty lists of the Canadian Force. The lists show that between 50 and 75 per cent of the casualties, almost all of which are suffered by air crew, are non-commissioned ranks. A sharp, but friendly, difference of opinion has developed between the Canadian air authorities and the British Air Ministry over the policy of commissioning graduates of air training schools. It has been of long standing. The issue was aired, in the first instance, in the Canadian Parliament in May, 1942.

The original agreement on granting commissions was reached by the partners in the Commonwealth air training plan in February, 1940. The first air crew class did not begin its course until April, 1940. The plan relating to commissions was that 33 per cent of all graduating classes of pilots and observers, representing those with highest standing, should be commissioned immediately. A further quota of 17 per cent would, on graduation, be recommended for commissioning on active service. The quotas for wireless operators and air gunners have been 20 per cent, part granted on graduation and part in the field.

To the Canadian way of thinking, it is an incongruous state of affairs in which one bomber in a flight is piloted by a sergeant pilot, while another is piloted by a commissioned officer, in which one goes to the officers' mess once they reach the ground, the other to the sergeants' mess, and if they are captured, one goes to one camp, the other to another. It may happen that the captain of an aircraft is a sergeant, while an officer serves as one of the crew. The debate in the Canadian Parliament on this situation, on June 2nd and 3rd, discloses only one member who dissented from the Power thesis that all air crew should be officers. The dissenter was Thomas L. Church, the veteran parliamentarian and maverick imperialist from Toronto.

At the Ottawa air training conference in May, 1942, Mr Power proposed that all Empire partners of the air training plan should grant commissions to all who qualify for "wings" as air crew. On failing to carry the conference, he proposed, alternatively, that air crew be granted an intermediate rank, of ensign or flight officers, as in the US army air corps. This was also turned down. But a clause in the new agreement recognized Canada's right to grant commissions according to standards approved by the Canadian Government.

OVER
1,000 FIRES A DAY
ARE HELPING HITLER.

Most of them are caused by matches
and cigarette ends.

YOU CAN'T BE TOO CAREFUL!

As a result, Canada has now abandoned the quota system, and established its own merit system. All air crew classes are required to write examination papers, in the style of a Canadian university examination. One paper deals with ground subjects, another with flying, and a third is designed to test qualities of leadership and character. A man receiving 60 per cent marks on each paper, and an average not less than 70 per cent, is automatically granted a commission. Under this system, recent graduating classes have been granted commissions in ratios of 80, 90 and even 100 per cent.

In effect, there are two systems in use in the air training plan. The RAF schools in Canada, representing most of the elementary training of that force, adhere to the quota system. As Mr Malcolm MacDonald, the British High Commissioner in Canada, pointed out, this imposes no restriction upon opportunities of obtaining commissions in the field later. In schools where student flyers from other Dominions mingle with Canadians, some embarrassment arises because the Canadians are commissioned according to the examination system, and others according to the quota system.

The RAF view, as stated by Mr MacDonald, in a letter incorporated in parliamentary records, is that not more than about half of air crew posts need to be filled with commissioned officers. "Experience has shown," he wrote, "that no more than 50 per cent qualify for commissions in practice." The Canadian view is that air force standards are so high, in relation to physique, intelligence, background and training, that all who qualify are entitled to officers' rank. Since Canada has exceeded the United Kingdom in training air crew, the contention is that the weight of experience is now on Canada's side.

Different Viewpoints

But it is obvious that the RAF looks at the problem more from the viewpoint of a professional and permanent air force, while Canada follows the line that its airmen are non-professional citizen-soldiers, in which the officer class rates somewhat less in importance. The quota system, Mr Power said, had been found in Canada's experience as "a most illogical way" of selecting officers. He declared, in a letter to the British Air Ministry, that "however well it may operate with RAF personnel, it definitely militates against initiative, ambition, and, consequently, efficiency in our men." He said that the English position, in which 25 or 30 per cent of the population possessed higher cultural and educational standards than the rest, did not apply in Canada, where 80 or 90 per cent of all air crew possessed the same class background.

This is a straight difference of opinion. The only sour note in the discussion was provided by a British Air Ministry official, unidentified in the correspondence, who wrote that Canada's action might lead the RAF to believe that "the RCAF are adopting a substantially lower standard of commissioning," that the result would be "a lowering of prestige of commissioned rank in the RCAF." Mr Power's comment was: "So what!" Nothing in the discussions which have been going on between British and Canadian air authorities on commissions has provided an argument to change Mr Power's mind. He promised to continue his efforts to secure a commission for all air crew in the RCAF. Significantly, the Canadian House of Commons supported him overwhelmingly.

One serious source of complaint exists on the Canadian side, and it is the sole point at which the dispute becomes acrimonious. Since quotas of commissions are granted, in part on graduation and in part in the field, hundreds of Canadians who have been recommended for commissions have been assigned to RAF units on active service where long delays exist in forwarding the commissions. A list of 900 names submitted by the RCAF to the British Air Ministry in November, 1942, finally brought the reply in January, 1943, that 172 of those listed were already casualties and 200 had not been traced. Since June, 1942, Canada has exercised the right to grant a commission to a Canadian assigned to service in the RAF without the endorsement of his RAF commanding officer.

It is obvious that the RAF, like the British or Canadian army, operates closely to the line that nothing is done except on consulting a man's record and then on a slow, ascending progression from officer to higher officer. This is what is called in Canada the "red tape" system. A Canadian on duty in the RAF is likely to serve under an officer who has never seen his record, and would normally never see it. To remedy this, the RCAF has convened a selection board at its London headquarters to consider commissions not granted through normal RAF procedure in cases of Canadians carried on RCAF rolls.

Monopolies in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

April 9th.

A rapid expansion of Government economic activity has been the sequel of wartime conditions in Palestine as in other countries. Expenditure on extraordinary public works, now mainly fortified police stations and strategic roads, has doubled since the war, totalling £P3.4 millions for the last three years; and much larger sums have been expended in the country by the military authorities and by the Railways Department. In the same period, loans from public funds, mostly for agricultural purposes, reached £P2.5 millions. The regimentation of local trade and industry has advanced by leaps and bounds; the administrative apparatus has increased to twice its pre-war size; and the Controllers of Light and of Heavy Industries, the Food Controller, the Labour Department, and so on are playing an ever increasing rôle in the economic life of the community. By this policy the conversion of Palestine into a strategic supply base has been greatly facilitated, though deficiency of experienced staff still causes a great deal of delay.

Direct Government intervention has been supplemented by the establishment of Government agencies of a monopolistic character. The first step in this direction was made at the outbreak of war, when Barclays Bank (D C and O) was appointed authorised dealer in foreign currencies. Later on, a growing number of articles were put on the list of restricted imports, for which no import licences are issued to private traders; and it has been estimated that at present about two-thirds of total imports are being purchased on Government account, by the United Kingdom Commercial Corporation (imports from overseas and from Turkey, as well as exports to Turkey), Steel Bros. Ltd. (foodstuffs from the Middle East countries), and ICI (fertilisers, medicines, and so on). Moreover, Steel Bros. Ltd. have been entrusted with purchasing, on Government account, the local cereal crop and other agricultural produce (cattle and citrus fruit); and they also serve as the sole distributor of most commodities, purchased by Government agencies. This policy, combining commercial experience with central planning, was actually imposed by the individualistic attitude of local traders; though some import syndicates and approved associations—for hardware and building materials, engineering goods, automobiles and spare parts—had been established voluntarily. The local trading community claims, however, that in many instances local firms of good standing and ample experience were eligible for the same purpose; that the Government distributing agency is often a superfluous link; and that even official patronage is no valid guarantee for obtaining the goods, nor for efficient manipulation of the stocks at hand. As a matter of fact, the purchase of local crops proved a failure, and Palestine's supply position has been getting worse during the last months.

Steel Bros. Ltd. have also been appointed "to organise, supervise and manage" the Government Transport Department, set up as a war measure, with two objectives; to establish a central organisation for placing transport contracts on behalf of both the Government and the Army, thus putting an end to the previous position, in which "Government, the Services and Army contractors, and even individual branches of the Services, were competing with each other for the limited amount of road transport available"; and "to ensure the existence of a reserve of trucks, which will be available at all times for Government and Army emergency transport." This reserve has been formed partly by requisitioning imported trucks, and partly from trucks released by the Army authorities, and it comprises at present about one-sixth of the whole fleet available for civil purposes. However, apprehension has been caused by the fact that the actual status of the new Department begun catering for loads in the private market, too. More-misadventures in the obtaining of supplies of petrol, no new trucks will be released to private carriers; and co-owners has been refused. After a three days' strike, preliminary agreement followed, which at last led to a preference in case of scarce demand for transport facilities, civil loads; spare parts, tyres, and so on will be allocated to organised owner-drivers, is to be recognised for the distribution of the contract work to its members.

THE BUSINESS WORLD

Banks and the Deficit

THE combined statements of the eleven London clearing banks, showing their position on June 30th last, when compared with the figures for June 30, 1939, reveal the following changes in deposits and in the principal banking assets over this four-year period:

	(In £ millions)		
	June 30, 1939	June 30, 1943	Difference
Deposits.....	2,247.5	3,630.4	+ 1,382.9
Cash.....	234.5	386.6	+ 152.1
Short Loans.....	150.8	165.0	+ 14.2
Bills.....	235.3	236.0	+ 0.7
Treasury Dept. Recpts.....	...	858.5	+ 858.5
Investments.....	596.5	1,159.0	+ 562.5
Advances.....	1,010.0	743.9	- 266.1

The expansion of £1,382.9 millions or 61.6 per cent in the banks' deposits has been wholly the product of their increased holding of Government paper. The new TDR asset has contributed £858.5 millions, while investments have increased by £562.5 millions, nearly doubling themselves during the four years and establishing themselves in the undisputed lead among the different categories of banking assets. On balance, the banks' holdings of bills and short loans have shown remarkably little change, though the composition of the bill cases and of the securities underlying the short loans has altered considerably. The volume of bank cash has dutifully kept pace with the expansion of credit, the influences bearing on this item, apart from the withdrawals of currency from the banks by the public, lying wholly within the initiative of the banking authorities and being welded with the sole purpose of providing a basis of cash just sufficient to underpin the desired expansion of banking credit. To complete the picture, mention must be made of the fall of £266.1 millions in loans and advances, the one declining item in this framework of general expansion.

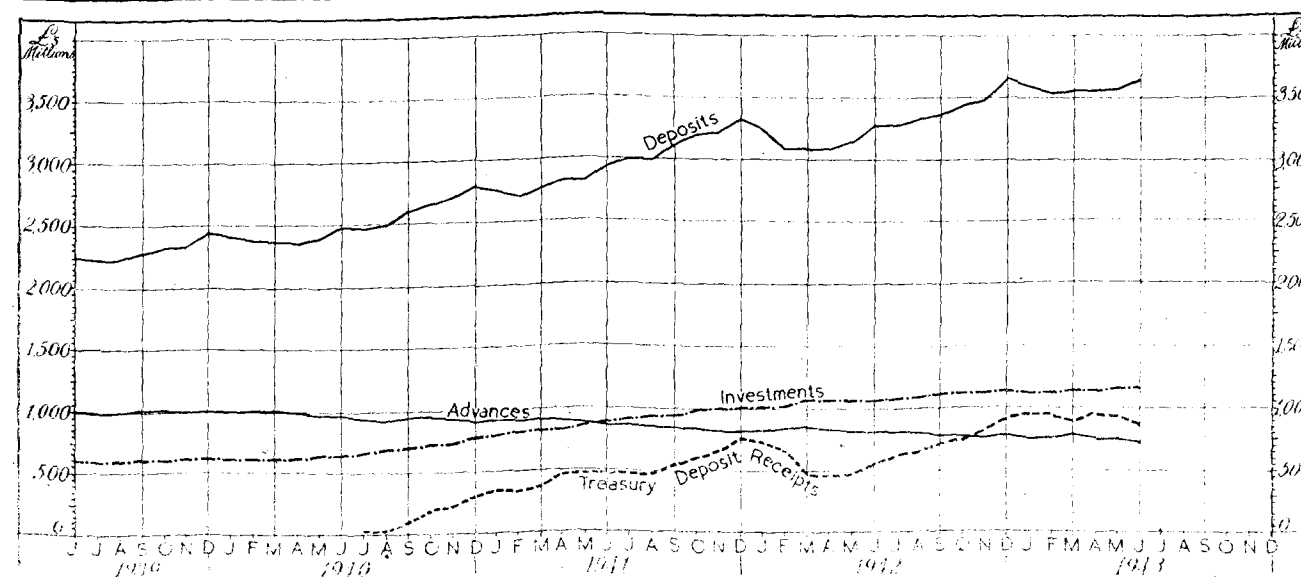
It is interesting to contrast this growth of banking credit with the movement in a comparable four-year period of the last war. Between the end of 1913 and the end of 1917, bank deposits in the United Kingdom rose from £1,033.0 millions to £1,705.8 millions, or by 65 per cent, a figure closely approaching that for the past four years. Over that earlier period the accompanying changes in assets bore strong resemblance to those shown in the above table. Treasury bills took the dominant place now occupied by TDRs and rose from £168 millions to £368 millions, investments increased by about the same amount, namely from £231 millions to £432 millions; while short loans rose from £146 millions to £215 millions. The main contrast with the

experience of this war is that in the earlier period bank advances increased by £43 millions to £549 millions and easily kept their lead as the most important banking asset. The disparity between this movement and the sharp fall in advances during this war illustrates the greater encroachment of the Government on the economic life of the country which has occurred in the past four years. It is also partly due to the fact that, on this occasion, unlike the last, there has been no encouragement to the public to take up Government loans with the help of bank credit.

The fall in advances during the present war would have been even steeper than it has been were it not for the fact that, owing to the wording of the relevant clauses in the Finance Acts, EPT payers are encouraged to pay their tax as early as possible with the help of bank accommodation since such loans are counted as part of "capital employed in the business." Owing to this technical factor and to the heavy encroachments which taxation makes on the liquid resources of companies, the proportion of bank advances designed to finance tax payments is probably greater to-day than it has been at any previous period in the history of British banking. Thus the extent to which the activities of the banking system are engrossed in financing the Government is even greater than appears at first sight.

The steadiness in the banks' bill holding over the past four years veils very considerable changes in the composition of this item. Commercial bills have largely disappeared and as between June 30, 1939, and June 30, 1943 the banks' holdings of commercial paper probably fell by between £80 millions and £100 millions. To this extent, therefore, the banks have taken additional Treasury bills into their portfolios. If an increase of £80 millions in Treasury bills is allowed for and the increase in investments and the newly acquired TDRs are added in, it will be seen that the banks' direct acquisitions of Government paper over the past four years reach the round sum of £1,500 millions.

Reference to the accompanying chart will show how exceptionally even has been the expansion in bank credit and in investments, if divided between the two halves of the four-year period. Between June 30, 1939, and June 30, 1941, deposits increased by £698 millions and over the subsequent two years by £685 millions. Over the same periods investments rose by £284 millions and £278 millions, respectively. Viewed on a large scale, however, the changes in bank credit have been far from even, the curve reflecting the incidence of periods of heavy tax collections and the effects of savings campaigns. In particular, it will be seen how the curve of expansion in bank deposits flattened during the first half of 1942 and again in the



half of this year. The two phenomena are not altogether similar, because of the different effect of the issue of Tax Reserve Certificates on each. This can best be illustrated by the following table showing the issue and redemption of these securities for each completed half year since the issue began:—

	Gross Issues	Redemptions	Net Movement in Half-Year	Outstanding at end of Half-Year
1941: Dec.	16,800	—	+ 16,800	16,800
1942: 1st half ...	271,100	6,121	+ 264,979	281,779
2nd half ...	233,750	45,596	+ 188,154	469,933
1943: 1st half ...	252,950	208,977	+ 43,973	513,906
Total to date	774,600	260,694	+ 513,906	

This shows that in the first half of 1942 not only had bank deposits to take the strain of the customary concentration of tax payments, but they had to finance subscriptions to over £271 millions of Tax Reserve Certificates, against which redemptions were negligible. In the first half of this year, the drain on bank deposits of tax payments was eased to the extent of £209 millions by Tax Reserve Certificate redemptions, and though this factor was rather more than offset by subscriptions to new certificates, the volume

of deposits did not have to bear the double burden which fell on it from this direction in the first half of 1942, before the Tax Reserve Certificates were operating in both directions. If this fact is taken into consideration, the stability of bank credit over the first half of this year is rather more significant than the comparable phenomenon in the first half of 1942. Equally welcome is the fact that the banks' investments rose by £39 millions only in the last half year as compared with an increase of over £60 millions in the first half of 1942. This suggests that the public participation in this year's savings campaign has been greater than it was in the 1942 campaign. It would, however, be wrong to suggest that war finance will no longer require the resort to bank credit which was needed up to the end of 1942. The flattening of the curve of bank credit over the past six months, welcome though it be and even though it may be a more genuine movement than that revealed over the same period of 1942, is still no proof that the climb will not be resumed at something like the former gradient. The proportion of Government expenditure covered by taxation remains approximately the same as a year ago. It will need more conclusive evidence than has yet emerged that genuine public subscriptions to Government loans have established themselves at a permanently higher level before it can be assumed that the need for recourse to the banking system in financing the deficit has appreciably diminished.

Business Notes

Back to Industrials

As was expected, the turn of the year has brought a modest revival in stock market activity, in addition to the rise in purely speculative activity. There has been a considerable increase in the volume of transactions; much of the business which attracts most attention is still speculative. But there has been an expansion in the number of bargains done in the general commercial and industrial list. Brokers complain that many clients are interested only in capital appreciation and are not concerned with dividends as such. In the sense that capital appreciation must depend on the expectation of higher dividend payments, such an attitude on the part of investors is ridiculous; but if all that is meant is that they want tax-free capital appreciation now rather than dividends, of which at least half will go to the Government, that is a very intelligible, and indeed an inevitable, reaction to the current scale of taxation. Against this background it is probable that the Allied successes in Sicily, in Russia and, to a less extent, in the Pacific, have determined the choice of shares to buy. There can be no question but that attention is being concentrated more and more on those securities which are expected to benefit soonest from the cessation of hostilities. Naturally enough, however, there is a good deal of difference of opinion about the shares likely to benefit most. The investor, like the industrialist, has to ask himself how far the accent will be on exports, how far on consumption goods and how far on particular types of capital goods. In the circumstances, it is rather remarkable that the ordinary share index of *The Financial News* has risen almost 2½ points in a week to 101.6, the highest since November, 1937, and two points above the recent peak of May 11th. The rise in the index appears to owe something to the frankly speculative buying associated with plastics and, to a less extent, with cotton. It is the more impressive since there has been a good deal of talk of substantial sellers waiting for a better market. Even though it has appeared probable that the next major movement would be upward, the undertone has been rather weak of late. If the supplies of stock are lifted the tone may improve, although it will never be very strong if there are numbers of recent buyers waiting to snatch a quick profit.

Amgot in Action

Among the more immediate tasks of the Allied Military Government of Occupied Territory (whose establishment is described in a note on page 103) will be the provision of banking and financial machinery in the occupied areas of Italian metropolitan territory. The problem is one of some difficulty. Sicily may not be highly dependent on a credit mechanism, but it requires currency to keep the wheels of trade going and to provide the wherewithal to

finance transactions between the occupying forces and the local population. The Allied forces have taken with them their own military notes—sterling and dollar—and the rate at which the lira is convertible into these two currencies has been fixed at 400 lire to the £ and 100 lire to the dollar. The rate of 480 lire to the £, fixed in the Italian North African territories, has not been altered as it has proved satisfactory. Experience in North Africa, however, suggests that this introduction of military currency is regarded as only a temporary stop-gap, and that the authorities prefer to make arrangements as soon as possible to finance their operations in local currency. The ultimate intention is no doubt to use the local banking system in Italy, but the difficulties will be those of dealing with organisations whose head offices will be in enemy territory and which will be unable to restock their holdings of lira currency. The question of trading with enemy organisations is bound to create difficulties, as may be gauged from the fact that nine months have had to elapse after the Allied landings in North Africa before the restrictions of the Trading with the Enemy regulations could be removed from that territory. In Italian African territories, this problem has to some extent been solved by importing British banking services, namely, those of Barclays Bank (DC and O). This can hardly serve as a precedent for the Allied course of action in metropolitan Italy. It looks, therefore, as though Allied military currency may have fairly considerable and extended circulation in the newly occupied areas.

Exchange Rates

The rate of exchange to be applied will be decided on the spot by the military authorities, who, no doubt, will have experts to guide them. The personnel of Amgot is well sprinkled with City bankers, and there will be no lack of informed advice on these problems. The main aim of the authorities, as recently defined by the Chancellor of the Exchequer, will be to fix rates of exchange which are in accord with local prices, wages and costs. But this line of policy is more easily defined than translated into action. In a country such as Greece, for example, where essential commodities are either lacking or in dismally short supply, there is no price level, and such transactions as survive are largely a matter of crude barter. The problem does not arise with equal acuteness in Sicily, but its elements are none the less comparable: shortage and the control of prices and the exchanges have to a large extent destroyed the basis on which economic exchange parities could be calculated. In the circumstances of war, the occupying Powers have a certain, quite legitimate, interest in deciding questions of reasonable doubt in favour of their own currencies, but there should be no question of the Allied

authorities taking the easy way out by fixing rates of exchange at which the local currencies would be obviously and grossly undervalued. To do so would be to compete with the Germans in the devices applied by them in bleeding the occupied countries. But the other extreme must also be avoided. The occupied countries should not be given the very mixed blessings of an overvalued currency. This has already been done in North Africa, where the official rate of 200 francs to the £ is now found to be well out of alignment with local prices and wages and to be causing serious losses to those engaged in export trade. In fixing the rates of exchange, the authorities cannot ignore the measure of inflation to which the local currencies have been subjected. In the case of France, for example, the expansion in currency and credit based on the enormous costs of occupation paid to Germany will make a rate of 200 francs to the £ impossible to bear after the war. Nor can the authorities altogether ignore the guidance of black market rates for the currencies with which they are called upon to deal. Especially is this so in the case of Italy, where the black market could more properly be referred to as the free market. For many years it has handled a considerable and recognised volume of business, not only officially winked at, but officially used and recommended when such recourse to it was deemed opportune.

More Light

Question time in the House of Commons last Tuesday brought a positive orgy of information on what had hitherto been regarded as the deepest recesses of national debt secrets. Answering a series of questions on treasury bills and ways and means advances the Chancellor of the Exchequer made the following points: the rate of interest on ways and means advances from the Bank of England has moved within a fixed range of ½ to 1 per cent since the beginning of 1939; the normal rate on treasury bills issued through the tap is ½ below the average weekly

WAYS AND MEANS ADVANCES (£'000)

Last day of Quarter—	From Bank of England		From Government Departments (Interest Bearing)		From Govt. Depts. (Free of Interest)
	Amount	Quarterly Averages	Amount	Rate %	Amount
1939—					
March ...	...	1,558	3,000	1	24,885
June ...	27,500	926	4,250	½ to 1½	41,460
Sept. ...	...	299	8,590	½ to 3½	40,560
Dec. ...	...	321	23,050	1½ to 2½	42,215
1940—					
March ...	...	151	24,450	½ to 1½	37,040
June ...	...	33	6,000	½	30,630
Sept. ...	...	6,848	31,400	½	60,145
Dec. ...	50,500	7,649	24,600	½	61,415
1941—					
March ...	...	9,814	71,980	½	100,280
June ...	28,250	6,047	90,225	½	68,500
Sept. ...	750	5,060	142,025	½	104,445
Dec. ...	66,000	12,647	70,600	½	115,720
1942—					
March ...	...	9,914	132,960	½	62,175
June ...	36,250	3,679	72,810	½	87,635
Sept. ...	5,500	3,620	131,725	½ and 1	93,865
Dec. ...	67,750	18,590	70,775	½ and 1	90,810
1943—					
March ...	6,500	25,922	160,715	½ and 1	121,780
June ...	55,000	2,819	157,925	½ and 1	86,510

tender rate; there are no interest-free tap bills, but in special cases (of which, on grounds of public interest no details can be published) the rate is nominal; tap bills are issued for three months or shorter periods as may be convenient; ways and means advances from Government departments are in part interest bearing and in part interest free; the amount in each category outstanding at the end of each quarter since the beginning of 1939 and the interest payable on the interest bearing advances is shown in the appended table; that table also contrasts the ways and means advances from the Bank of England outstanding at the end of each quarter with the daily average amounts of such advances in each quarter; this last item reveals the increasing recourse of the Treasury to direct borrowing from the Bank since the beginning of the war. This feast of revelation deserves congratulations all round: to the questioner, to the replier and, last but not least, to the prompter.

Industrial Demobilisation

British industry has been fully mobilised for some time; the process of concentration in industry was virtually completed a year ago. For some time the main task has been to adjust production to the changing needs of the war, to reduce output of some munitions and to expand that of others, and to substitute new designs and specifications for those hitherto produced. Some time ago the Board of Trade began preparing plans for switching over from war to peace production and, to this end, the various industries have been asked to submit their plans and certain relevant data. The Government's decision was timely, for the compilation of reports by the industries concerned, and their detailed examination by the Board of Trade will be a lengthy business. The problem of ensuring a smooth transition from war to peace production is fraught with difficulties. There is the physical problem of priorities which involves an estimate of the rate at which labour and materials will become available for the production of the goods of peace. The inevitable lack of information upon this subject renders it difficult for industrialists to lay their plans. There is the problem of the legal framework within which industry will be expected to operate after the war, and about which industry has as yet been given little guidance. Then, again, there is the specific problem of "deconcentration," which has been made doubly difficult by the Government's promise to assist in restoring the *status quo* as far as possible. It is obviously impossible for the Government at this stage to answer all these questions; on some of them Parliament has yet to reach a decision. Nevertheless, the time has come when the Government will have to lay down broad principles if confusion is to be avoided after the war.

A Plastics Boom

There was some reason to hope that the very cautious statements of Mr B. C. Westall, chairman of De La Rue Plastics, and of Mr S. S. Lambert, chairman of the parent company would lessen popular misconceptions concerning plastics. Instead, something of a boom has developed in a few of the plastic shares, notably De La Rue and British Xylonite. Mr Lambert claimed that De La Rue Plastics is the leading company in the plastics industry, but he stated that plastics were very far from being the main source of revenue of the group. Mr Westall, while confident of his company's ability, with the aid of a large research department, to do well in plastics, reiterated the plain facts that plastics have to compete with wood and metal. It is well known that many new alloys will be available after the war, and some of these materials may well become formidable competitors. Further, there is the fact that the necessary equipment is costly, and that the demand for products must be correspondingly large and continuous. But this is not all; there is, on the one side, the tendency for large firms to put in a certain amount of plastic moulding equipment, and, on the other, the fact that a number of concerns, ICI, Distillers and, in all probability, Courtaulds, are either in, or likely to take part in, the industry. There is a distinct danger, not only that there will be a speculative rush for shares in this industry, but, worse still, that there will be a speculative rush to take part in it. Presumably, control of new issues will damp this down, but it will not

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

July 24, 1943

prevent those with funds going into it. Competition here, as elsewhere, is highly desirable, but plastic moulding is a highly technical business. It is to be hoped that investors, whether private or institutional, will preserve a sense of proportion.

Wages of Pit Boys

During a speech at the annual conference of the Mineworkers' Federation on Tuesday, Mr Bevin, Minister of Labour, emphasised the shortage of manpower in coal mining and the need to direct young men to the industry this year in order to meet essential requirements. But the problem of recruitment is also a long-term one, and it has been examined by the Forster Committee on the Recruitment of Juveniles. The proposal for the introduction of a national minimum wage scale is the first to be considered by the new National Conciliation Board for the industry. The Forster Committee regarded the establishment of a scale providing for measured progress in earning capacity from entry to adult status as an essential condition of improved recruitment, but after expressing its preference for the principle of linking juvenile minimum rates to those of adults, it left the determination of the actual scales to the new conciliation machinery. Hitherto boys' wages have been regulated on a district basis, and they have varied considerably. Thus, at the entrance age of 14 years current minimum rates for boys are: for those employed underground from 5s. 5d. to 8s. 4½d. per shift, and at 20 years of age from 10s. 4d. to 16s. 11½d.; and for surface workers from 4s. 11d. to 6s. 7d. and from 9s. 2½d. to 14s. 2½d. respectively. In three districts, Scotland, South Staffordshire and the Forest of Dean, the adult rates are applicable to youths after they reach 18 years. Towards the end of last May the Mineworkers' Federation submitted proposals for a minimum weekly scale for underground workers ranging from 42s. for boys of 14 to 79s. 6d. for youths of 20½ years employed underground, and for surface workers from 40s. to 75s. It is not yet known definitely to what extent the Federation considers these weekly rates convertible into shift rates, but on a working week of six shifts they are understood to be substantially higher than the minimum shift rates under consideration by the colliery owners before submission to the National Board. For youths between 17½ and 18 years of age the Federation scale would secure minimum weekly earnings of 47s. for surface workers and 60s. for underground workers. These rates compare with the average wage of 45s. 1d. per week last January and 46s. 2d. in June, 1942, for the boys and youths included in the Ministry of Labour's half-yearly inquiry into the wage levels of surface employment in the United Kingdom. Apart from the actual amounts to be fixed as minimum scales the most important of the controversial problems to be decided are: (1) whether the scales should be based on shift or on weekly rates; (2) whether they should be stepped up yearly or half-yearly and by what amounts; and (3) the measure and period of the differentials between surface and underground workers in order to encourage recruitment for underground labour. The principle of a national minimum has been accepted by the coal owners, and an effort is being made to reach an agreement through the machinery of the Joint National Negotiating Committee, but failing agreement by that body the National Tribunal will automatically intervene.

Planning the Clothes Ration

To honour the clothes ration, the Board of Trade has to arrange for the production of clothing at the rate of 750 million separate items of clothing a year. It has before it the problem of directing labour and materials to the making of the various articles in the quantities and proportions demanded. The proportions in which the different items of clothing are bought are changing, and consumer demand must be estimated in advance. To assist these

estimates, surveys of how clothing coupons are spent are made regularly. The results for the first year of clothes rationing, and of the first ten months of the second period, are given in the accompanying table, in the form of percentages of the total spent on the different items of clothing. The cut in the ration for the next period will have an effect on demand different from that of a stable or larger ration. Nevertheless, the survey is a factor in estimating future demand. On these estimates the production programme is planned on the basis of the stocks and resources available. A new tendency is making itself felt, which must

PERCENTAGE OF COUPONS USED ON VARIOUS ITEMS OF CLOTHING

	June, 1941, to May, 1942		June, 1942, to April, 1943	
	Men	Women	Men	Women
Suits, jackets, trousers, skirts	21.8	5.9	19.6	6.0
Dresses	6.8	8.2	11.1	9.2
Overcoats and raincoats	17.4	11.1	6.9	14.2
Footwear	15.3	15.8	16.3	15.1
Hose	14.5	18.2	15.5	18.6
Shirts	12.2	18.9	14.5	15.1
Underwear and nightwear	2.8	11.8	2.4	11.1
Cloth and knitting yarn	9.2	12.1	15.4	12.5
Other items				

be considered in planning production. The smaller second ration, and the prospect of an even smaller one for 1943-4, has resulted in a search for quality, and the money spent per coupon has steadily risen, despite the falling prices of cheaper clothing. There is a danger that the continued production of clothing of inferior quality will in the end prove wasteful, if it is not purchased.

Richard Thomas Payment

The decision of the board of Richard Thomas to pay a dividend on the ordinary and "A" ordinary capital of 10 per cent for the year ended March 31st, against half that amount a year ago, justifies the views of those who recently bid up the price of the 6s. 8d. shares to 10s. 3d., more than double their value at the worst of 1942. For 1941-42, the amount earned on the ordinary capital was 13.3 per cent. No figures are so far available for the latest period, but it seems safe to assume that there will have been an increase. Without attempting to forecast actual payments, it seems extremely probable that the existing management, for which the Bank of England is largely responsible, will aim at stability rather than liberal distributions. Granting, as one must, that the sacrifices of the holders of the equity at the time of the 1938 reconstruction were necessary, a return of 10 per cent is not unreasonably low. In any case, it has to be realised that an enterprise such as Richard Thomas which relies for its pre-eminence on being up to date, will have to spend considerable sums in keeping pace with improvements in rolling mill technique. The shares, which had fallen back some pence from the best of the year, were bought on the announcement, rising to 11s. The resultant yield of £6 5s. per cent suggests a belief that the outlook is better than for the general run of heavy industrials.

Company Reconstructions

Apart from the numerous points which concern the protection of the public and the general body of shareholders, it is hoped that the Cohen Committee will address itself to the problem of securing reasonably equitable arrangements between different classes of shareholder. This need is particularly evident as between the holders of the equity and those with preferential rights in cases of company reconstructions. The usual case is one where a part of the capital has been lost and the payment of dividend is dependent upon writing off this loss. The whole of the conception of what constitutes a capital loss needs careful reconsideration. It seems very desirable that, in future, one should look to the physical assets and not to their money value. A company is set up with a given amount of fixed capital and a given working capital, estimated to be sufficient to enable it to carry on business. It needs first to be decided whether it is incumbent upon the board to maintain the ability to sustain a given volume of trade in the

July 24, 1943

THE ECONOMIST

117

face of a rise—or it may be a fall—in prices, or whether all that is necessary is that the money value should be maintained, although that would correspond to a reduced—or increased—ability to trade. The basis being established, any surplus is available for distribution as dividends, and there should be no question of payment being dependent, either in law or in practice, upon a writing down of capital. One of the principal factors contributing to misunderstanding in this matter is the insistence that all shares must have a par value, in contradistinction to the American practice of no par value shares for the whole of the equity. The Cohen Committee might, therefore, go so far as to look into the American practice and see whether the NPV share could not be introduced in this country. Once that were done, it would only be necessary to raise the question of writing down when the whole of the ordinary capital was lost. Further, the idea that the equity holder was in some mysterious way entitled to some proportion of the nominal value of his holding would probably disappear with the disappearance of the nominal value.

French Gold

The political problem of Allied recognition of the French Committee of National Liberation has suddenly crystallised in the issue of French gold at Martinique. Some \$40 millions of gold was sent to Martinique in a French cruiser at the time of the French collapse in 1940, and the metal has remained there intact for the past four years. When Martinique made its belated obeisance to the French Committee, it was rather assumed by the latter that the various assets to be found in the island would be available to finance its needs. Messages from Martinique, sent when M. Henri Hoppenot took over the Government abrogated by Admiral Robert, spoke confidently of the \$40 millions of gold being transferred to the French Committee. At this point, however, Washington appears to have intervened in no uncertain manner. The State Department announced that the French gold in Martinique could neither be trans-

ferred nor dealt with without the approval of the United States Government. This embargo follows the line laid down regarding the disposal of gold and French balances and securities held in the United States. These assets are being held until a fully representative French Government has been set up and recognised *de jure* by the United States. Meanwhile the Martinique gold will be held under the supervision of the United States, which will act as trustee for the peoples of France. By way of contrast, the Polish Government, which recently discovered some \$65 millions of gold which had been shipped from Paris to Dakar in 1940 and which was found to be intact, will have complete freedom to deal with that metal as it thinks fit.

India Fights Inflation

While the working of the financial agreement between India and Great Britain continues to pour new currency into India, the Government of that country is attempting, like King Canute, to order the tide back. The latest word of command is a Defence of India rule forbidding the making of advances against such commodities as may be specified by the Government. The list includes bullion on which much of the recent speculative orgy has centred, and the immediate effect of the order was to cause a slump in the prices of both gold and silver. Over the past week, the Bombay quotation for silver has fallen from Rs. 118 to Rs. 103 per 100 tolas. Less than two months ago the quotation stood at Rs. 138. While the order will serve a useful purpose in checking speculative activity in the precious metals and has undoubtedly been responsible for unloosing a fair volume of weak speculative selling, it will do nothing to prevent the persistent hoarding of silver and gold which has provided the basis on which the rise in the price of the two metals has been built. That hoarding is a direct product of the currency inflation which goes on unchecked. Over the twelve months to July 2nd last, the note circulation in India has risen from Rs. 446,80,00,000 to Rs. 733,60,00,000. The basis for this expansion in circulation is provided by

Glyn, Mills & Co.

(ESTABLISHED 1753)

Registered with unlimited liability 1885

CHILD & CO. and HOLT & CO.
(Established before 1800) (Established 1809)

BANKERS

Army and Royal Air Force Agents.

One Hundred and Eighteenth Statement of Assets and Liabilities, 30th June, 1943.

Dr.		Cr.	
LIABILITIES.		ASSETS.	
To Capital authorised and issued	£ 1,060,000 0 0	By Coin, Bank Notes and Balance at Bank of England	£ 5,359,518 2 11
To Reserve Fund	850,000 0 0	By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,907,766 3 8
To Current, Deposit and other Accounts (including provision for Contingencies)	52,476,765 2 11	By Money at Call and at Short Notice	7,806,700 0 0
To Amounts due to Subsidiary Companies	17,171 10 11	By Bills Discounted	1,158,235 6 9
To Acceptances and Engagements on account of Customers	5,604,108 3 1	By Treasury Deposit Receipts	5,500,000 0 0
	£60,008,044 16 11	By Investments:—	
		British Government Securities	£20,559,372 14 4
		Other Securities	576,612 8 10
		Subsidiary Companies	21,135,985 3 2
		By Advances to Customers and other Accounts	9,840,731 17 4
		By Liabilities of Customers for Acceptances and Engagements as per contra	5,604,108 3 1
		By Bank Premises (at cost, less amounts written off):—	
		Freehold	£620,000 0 0
		Leasehold	75,000 0 0
			695,000 0 0
			£60,008,044 16 11

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 July, 1943.

ERIC GORE BROWNE, Chairman.

IAN LESLIE MELVILLE, } Directors.
C. G. RANDOLPH,

14th July, 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.

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, 226B, TUITION HOUSE, London, S.W.19.

the increased holding of sterling securities and balances of the Reserve Bank. Over the same period these have increased from Rs. 347,00,00,000 to Rs. 649,60,00,000. As long as this inflation continues, the effect of Defence Rules can only prove temporary. The recent reaction in bullion prices may, therefore, prove short-lived. On a longer view, which embraces the post-war removal of international restrictions on movements of silver and gold, the existing premia on the prices of these metals in India seem more than precarious. But, given the economic forces to which the country is now being subjected, it would be surprising if these premia were not to reach fresh records before the post-war adjustment of the situation becomes feasible.

Halifax Bomber Production

Some of the problems involved in the switch-over from peace to war production are illustrated by the experience of a group of factories in the Home Counties, whose normal activity is the manufacture of motor vehicles and coaches and which are now engaged on the production of Halifax bombers. Between the eight factories which comprise the group the entire plane—except for engines which are made elsewhere—is produced, assembled and tested and equipped with spares. At the same time, some of the factories carry on a certain amount of coachbuilding work, servicing and repairing both passenger transport and army vehicles and research into producer gas vehicles. The factories concerned are divided into two distinct portions for this purpose. Three years ago the group did not exist and, being somewhat late in the day, it experienced exceptional difficulties in securing skilled aircraft labour. Indeed, at the outset it had not more than a dozen toolmakers and had to build up its organisation from scratch. Not more than one in eight of its personnel had previous experience of engineering work. The proportion of women employed in aircraft production, including the final erection of the plane, is now as high as 50 per cent, and the firms have gone far in breaking down skilled work into simpler and more routine jobs so that they can be performed by comparatively untrained labour. But the women, a high proportion of whom are married, have shown themselves remarkably adaptable and quick to learn semi-skilled and skilled jobs. It is something of an achievement, in view of the initial organisation difficulties and the high degree of dilution, that the first plane should have been delivered and flown within fourteen months of the inception of the group.

Corporate Profits in USA

According to *The Survey of Current Business*, 1942, corporate profits in America before tax rose from \$13.9 billion in 1941 to \$18.8 billion in 1942. The 1942 figure is more than double the 1929 peak and some three and a half times the figure for 1939. Although the percentage increase on the year varied widely from industry to industry, every main group appears to have made its contribution. Profits after tax tell a very different story. Net profits rose a trifle on the year, but most main sections show declines, and the rise in total is due mainly to the fact that railway gross profits were more than doubled, and that there was a very sharp rise in the profits of firms making equipment for transport concerns. No figures of appropriations are given, but there was a considerable fall in net dividends paid. These increased for transport, and were the highest since 1931, but for all industry they were little above the 1939 figure, and for manufacturing as a whole, below it. Net profits, none the less, create a new record since the boom year of 1929, and it is evident that, although the new taxes have been effective in checking the rise in net earnings, they have fallen far short of "taking the profit out of war," if they were ever designed

The OCEAN

Accident & Guarantee Corporation, Limited
Head Office: 36-44, Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

for that end. Quarterly figures reveal a fall in profits against a year before, commencing in the third quarter of last year. In the first quarter of this the increase is, however, resumed, the aggregate figure being \$1,821 million, against \$1,549

NET PROFITS AND DIVIDENDS
(Millions of dollars)

	1929	1939	1940	1941	1942
	Profits	Profits	Profits	Profits	Divs.
Mining	198	254	92	246	286
Net % Gross	81.5	59.3	56.1	56.7	13.2
Manufacturing	3,953	2,579	3,410	4,534	2,090
Net % Gross	87.9	80.3	69.0	47.2	16.6
Trade	639	593	734	854	554
Net % Gross	85.5	78.0	70.9	55.1	14.0
Finance	1,239	158	234	225	445
Net % Gross	85.3	54.5	...	...	...
Transport	1,005	36	124	345	352
Net % Gross	88.8	33.0	47.9	54.8	45.6
Other	938	668	721	1,073	713
Total	7,972	4,088	4,847	6,867	4,440
Net % Gross	87.1	76.8	65.6	49.2	36.6

† Profits exclude dividends.

‡ Net profits per cent of total assets.

million in 1942. The fall in dividend payments in 1942 must not be construed as an accurate measure of the return to equity holders. Of the drop of 10 per cent in distribution, an appreciable proportion is due to the fact that arrears of preferred dividends were liquidated in 1941.

More Food in Less Space

In 1942, three quarters of a million tons of shipping space, the equivalent of the cargoes of 75 10,000-ton ships was saved on imports of meat, eggs and milk. It is probable that the saving was not an absolute one, but that the effect was rather to make better use of the space allowed for food in the allocation of tonnage. Every effort has been made to pack more and more food into the permitted space, and many new methods of packing are now in use. Beef is imported boneless and moulded, mutton and lambs are telescoped, enabling half as much again to be imported in a given space. By importing eggs dehydrated and milk powdered, 23.5 million cubic feet of space were saved. Experiments are being made to concentrate more foods, in methods of packing and in the use of alternative packing materials. Meat is being dehydrated in small quantities and has the advantage of not needing refrigeration. Its weight is reduced to one-fifth, and compression reduces its volume still more, as well as doubling its storage life. Dried egg, vegetables and cheese can be successfully compressed. Bacon is being packed into less space, and it is hoped to bale it instead of packing it in boxes. A bale weighs only 5 lbs compared with the 70-lb. box. Packing butter in kraft containers instead of wooden boxes saves 9 per cent in weight and 17 per cent in space. Space can be saved in importing tea by making the chests of jute coated with low-grade shellac (both available in India). Some 145 lbs of broken tea, or "fannings" takes the same space as 120 lbs of leaf tea. Experiments in reducing packing materials to the minimum are of the utmost importance, since three per cent of food shipments consist of tares.

Eire's Central Bank

The first Report of the Central Bank of Ireland relates to a year—namely, that ended March 1, 1943—in which the former Currency Commission was in operation for 10 months and in which the new Central Bank was in existence for only two months. On February 1st the business of the Currency Commission was transferred to the Central Bank, together with all the functions, assets and commitments of the Commission. The capital of the Bank was subscribed by the banks to the Currency Commission was repaid. The volume of the legal tender note issue fluctuated during the year between a minimum of £18,390,379 on June 30, 1942, and a maximum of £24,427,915 on December 22, 1942, the latter being the highest amount ever reached. The average amount of legal tender notes outstanding on Saturdays rose from £10,087,431 in 1939 to £20,841,335 in 1943. This expansion in the circulation was caused mainly by rising agricultural prices, as farmers

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 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 ... 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.

YOUNG BARRISTER, exempt, with practical experience industry and knowledge languages, seeks appointment. Write Box 110, *The Economist*, Brettenham House, Lancaster Place, W.C.2.

COMPANY requiring Investment in Ships' Mortgages invites applications from Accountants. Write Box No. 109, *The Economist*, Brettenham House, Lancaster Place, London, W.C.2.

hold a good deal of cash, especially in the present circumstances of restricted outlets for expenditure. One result of the increase in circulation was an expansion of the earning capacity of the legal tender note fund; its surplus income was £298,180, compared with £265,788 in the previous year. The assets of this fund are held in gold, sterling and British Government securities. On March 31, 1943, the securities of a maturity exceeding twelve months amounted to £7,838,000.

Coin Holdings of the Banks

Although no actual census of coin is ever taken, details of the various kinds of coin held by the banks are obtained from each half-yearly balance on June 30th. The figures are supplied to the Royal Mint, and those for the last few years are given in the following table:

30th June	Day of Week	Silver	Nickel 3d. Bits	Bronze
1938	Thursday	18,443,949	171,758	2,833,344
1939	Friday	16,690,920	224,461	2,847,271
1940	Saturday	16,671,820	244,486	2,656,536
1941	Monday	19,939,042	285,809	2,247,879
1942	Tuesday	19,135,444	638,337	2,106,824

The 1942 figures cover the returns from thirty-two banks, including the Bank of England, but silver coin in the issue department of the Bank of England is not included. Allowance must be made for the varying days of the week on which the returns are made. On Fridays and Saturdays, for instance, the coin holdings are usually lower, owing to withdrawals for wages and for week-end spending. During the four years ended June 30, 1942, the quantity of silver held by the banks showed little variation, but, as the silver issued by the Mint during that period was about £24 million, it looks as if the whole of the additional coin went into circulation. The fall in the holding of bronze, in spite of mintings of about a million pounds, shows that the banks have reduced their day-to-day till money to alleviate the shortage of pennies—no new pennies have been struck since 1940. The holding of nickel threepenny bits is relatively high, and represents roughly one-third of the total minted.

Company Results

Allied Ironfounders.—Holding company with subsidiaries, normally, occupied mainly in light castings for building industry.

	1941	1942	1943
Net profits of Subsidiaries	220,849	423,726	706,348
Income tax †	104,688	90,469	357,083
N.D.C.	10,927	20,131	37,267
Net dividends to parent	104,542	311,767	311,984
Total revenue of parent	114,853	322,259	324,064
Directors' commission	2,827	7,909	8,053
Income tax reserve ‡	25,000	110,000	Nil
Preference dividends	36,019	35,962	36,014
Earned on Ordinary	51,007	178,388	279,997
Paid on Ordinary	50,639	106,314	108,296
Earned %	6.1	19.8	32.3
Paid %	6	12.4	12.4
General Reserve	...	30,000	72,004
Contingencies and Development	...	30,000	75,000
Carry forward †	179,617	183,706	214,522

Consolidated Statement:

Net fixed assets	1,203,389	1,162,473	1,159,861
Net inter-company items	142,967	153,050	141,039
Net liquid assets	1,002,713	1,192,139	1,191,786
Excess of book value in Parents a/c.	319,944	161,351	176,327
Gross liquid assets	1,381,573	1,694,790	2,183,478

† After tax refunds of £1,052, £2,014 and £6,119.
‡ In accounts for 1942-43 subsidiaries have made full provision for tax on profits of that year for the first time.

The £1 ordinary shares, at 47s. 6d. ex dividend, yield £5 5s. 3d. per cent.

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT. INSCRIBED STOCK 1952
NOTICE IS HEREBY GIVEN that, in order to prepare the dividend due 1st September next, the BALANCES of the several accounts in the above-mentioned Stock will be STRUCK on the night of the 31st July, and that on and after the 3rd August the Stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
C. D. ALCOCK, Manager.
Circus Place, London Wall, E.C.2. 13th July, 1943.

Guest, Keen & Nettlefolds.—Holding company, interested, *inter alia*, in ironmasters, nut and bolt manufacturers.

	1941	1942	1943
Revenue to shareholders	1,115,507	1,203,678	1,272,961
Depreciation interest and redemption	97,139	99,054	94,187
Depreciation	200,000	200,000	275,000
War Damage Insurance	40,000	40,000	40,000
War Contingencies	60,000	50,000	50,000
Preference dividends	327,879	327,880	327,880
Earned on Ordinary	440,489	434,744	503,884
Paid on Ordinary	321,723	321,723	321,723
Earned %	13.7	13.5	15.7
Paid %	10	10	10
Reserve Fund	100,000	100,000	150,000
Carry forward	482,437	495,458	527,689
Net fixed assets	2,465,751	2,465,751	2,465,751
Net inter-company items	14,478,643	15,265,096	15,545,884
Net liquid assets	1,211,225	512,895	456,682
Gross liquid assets	3,702,849	3,541,869	3,946,651

* This company does not differentiate between investments in associates, in other companies and in gilt-edged, including tax certificates. The omnibus item has, therefore, been treated as being wholly illiquid.
† Tax Free. ‡ Includes deferred repairs of unstated amount.

The £1 ordinary shares, quoted at 31s. 9d., yield £6 6s. per cent.

The General Electric Company.

	1941	1942	1943
Income from trading and investments	1,722,643	1,725,137	1,748,917
Depreciation	444,598	460,795	459,619
War Contingencies	50,000	50,000	50,000
Fees	5,064	4,485	4,281
Pension Fund	69,313	78,911	89,276
Income Tax Reserve	650,000	685,000	700,000
Preference dividends	135,450	126,000	126,000
Earned on Ordinary	368,218	369,946	369,741
Paid on Ordinary	367,358	367,358	367,358
Earned %	17.5	17.6	17.6
Paid %	17.4	17.4	17.4
Carry forward	812,791	815,379	817,762
Net fixed assets	5,344,044	5,201,680	4,997,814
Net inter-company items	4,778,357	4,576,019	3,851,959
Net liquid assets	3,188,761	3,536,051	4,466,369
Gross liquid assets	11,499,141	12,995,990	15,004,681
Stock in trade	5,347,816	5,852,462	6,804,952
Gilt-edged securities	Nil	200,000	1,145,000

The works have been further expanded and both output and unfulfilled orders have increased. The £1 ordinary stock units, standing at 89s. 6d., yield £3 19s. 9d. per cent.

Cunard White Star.

	1940	1941	1942
Income after deferred repairs	2,584,603	2,199,717	1,834,185
Depreciation	1,196,719	1,159,643	1,206,782
Debt interest	92,807	79,541	79,541
Fees, etc.	10,983	9,606	9,606
General Contingencies Reserve	...	1,500,000	500,000
Dividend to parent company (net)	...	375,000	609,701
Carry forward	1,414,351	490,278	...
Net fixed assets†	12,370,974	11,314,279	6,028,348
Net liquid assets‡	7,121,142	805,619	6,211,207
Cash and Gilt-edged	3,573,611	2,027,751	7,925,688
Ships Replacement Reserve §	2,311,551	2,311,551	5,460,842
Gross liquid assets	9,191,844	4,057,021	9,730,999
Government Tonnage Replacement a/c	753,900	753,900	1,740,104

† After deduction of Ships Replacement Reserve. Figure for 1942 estimated.
‡ £7,950,000 of debentures repaid during 1941. Excludes balances held in European countries of £127,764 in 1940, £129,620 in 1941 and £129,854 in 1942.
§ This reserve is consolidated with General Contingencies Reserve in 1942. The figure given is based on supposition that this reserve remained at £1,500,000.

Sir Percy Bates, chairman of the company, sees no special reason for alarm as to the outlook for 1943, but gives no forecast as to results. The £1 shares of the parent company, Cunard Steam Ship, improved 3s. 1½d. on the increased dividend of the operating company to 22s. 9d. No dividend was paid for 1942, but an interim of 2½ per cent has been paid for the current year.

COMPANY RESULTS

Definitions of terms used in these tables are as follows:
Net fixed assets include everything from land to loose tools, less any distinguishable provision for writing them down.

Net inter-company items include holdings in, and loans and advances to, subsidiaries and associates, plus trade investments, minus all sums, other than dividends of the company, due to subsidiaries and associates.

Net liquid assets include all other assets less current liabilities, bank loans and profit and loss appropriations not retained as additions to reserves, carry forward, or other established funds.

COMPANY MEETINGS

BLEACHERS' ASSOCIATION, LIMITED

PROBLEMS OF RE-ADAPTATION TO POST-WAR TRADING

SIR ALAN SYKES' REVIEW

The forty-fourth ordinary general meeting of Bleachers' Association, Limited, was held on the 16th instant at the Houldsworth Hall, Deansgate, Manchester.

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

Ladies and Gentlemen.—Printed copies of the Directors' Report and of the Accounts have been circulated, and as they have been in your hands for some days I will, with your permission, follow our usual practice and take them as read. (Agreed.)

You will have noticed that the profit and loss account and the balance sheet show little variation in comparison with last year's accounts, and that is characteristic of the conditions under which our trade has been carried on during the past 12 months.

The value of land, buildings and plant, after deducting the balance of the Depreciation and Obsolescence Fund, appears on the assets side of the balance sheet at £6,691,472, which is about £118,000 less than the corresponding figure last year. We have set aside, as usual, a sum of £140,000 for Depreciation and Obsolescence, and the charges against that Fund have amounted to £203,092. This represents the expenditure incurred during the year on development and on the renewal and replacement of plant, as well as the amounts written off in respect of obsolescence.

The value of shares in subsidiary companies shows practically no change at £1,324,148, and there is only a small decrease of about £30,000, to £865,760, in the amount of advances to subsidiary companies. This item, together with that which follows of stock on hand at £74,203, represents the working capital of our branches. Sundry debtors at £79,662 are slightly lower this year, and War Damage Insurance premiums, which now amount to £139,043, show an increase of £38,000 on account of the payments made during the year. This last item represents the accumulation of premiums paid which, as you will know, are required by the War Damage Act to be treated for all purposes as outgoings of a capital nature, although, of course, the payment has to be made out of profits. We, therefore, prefer to carry the expenditure forward and to show the provision for the liability on the other side of the balance sheet. In due course, when the risks no longer obtain, the items will disappear from both sides of the balance sheet. You will no doubt appreciate that the figures before you do not represent the full cost to the stockholders since the premiums, although payable out of profits, are not allowed to be charged against profits for income tax purposes.

Cash with bankers at the end of the year amounted to £160,902, which was £114,000 less than the previous year's balance, but against this you will notice that we now hold £200,000 of Tax Reserve Certificates which are available for the payment of our tax liabilities and which, in the meantime, earn a small amount of tax-free interest.

Investments at £939,501 show an increase over last year of about £10,000, and the figures which appear in the balance sheet are based on cost prices or less. Against this item you will see a reserve for contingencies of £54,651 on the other side of the balance sheet, and this we consider to be adequate to provide for any normal depreciation in value.

On the liabilities side of the balance sheet there is no change in the amount

of issued capital or debenture stock. Credit balances at £637,237 are about £60,000 lower than last year, but the fluctuations under this heading are largely governed by the relation between our payments on account of taxation and the provisions made to meet those payments.

I have already referred to the War Damage Insurance Premiums Reserve, and the General Reserve Fund shows no alteration. The Superannuation Fund is lower this year by the amounts paid out to old employees with long service, and the balance now is £138,909. The Fire Insurance Fund stands at practically the same figure as last year, and I have previously explained the Investments Contingency Fund.

TRADING PROFIT UP

This brings me to the Profit and Loss Account, in which you will see that our total Trading Profit amounted to £365,890, or rather more than £12,000 above the corresponding figure last year. The charges for Directors' Fees, Depreciation and Debenture Interest are the same as usual, and this leaves a balance of £122,030 to be carried forward to the balance sheet.

If you will turn to the Directors' Report you will see that the balance of profit brought forward from last year's accounts was £80,862. To this is added the net profit for this year of £122,030, making a total available sum of £202,892.

From this the directors propose the payment of a dividend on the Preference Stock at the rate of 5½ per cent. per annum for six months in respect of arrears to September 30, 1935, and a provision of £40,000 for War Damage Insurance premiums, leaving a balance of £94,486 to be carried forward to the next account.

In making this recommendation the directors have taken into account that the net profit available from the past year's trading was insufficient to meet a full year's dividend on the Preference Stock, and that it is necessary to make provision out of profits for the payment of War Damage Insurance premiums. Having regard to the uncertainty which must attend any estimate of the future under existing conditions of trading, the directors felt that they could not recommend any departure from the practice which they have hitherto followed of paying each year as much of the arrears of Preference Dividend as the balance of the year's profit permits.

It has been suggested that under the conditions revealed by the Balance Sheet we should have recommended the payment of at least a full year's dividend on the Preference Stock, and I can assure you that that is a matter to which your directors gave the fullest consideration before deciding on the recommendation which we have made. I think that you are entitled to know the reasons which influenced the board in reaching its decision. In the first place, we have not yet been able to secure a final decision with respect to our liabilities for taxation, and, although we believe we have made adequate provision for those liabilities, we do not feel justified in diminishing the company's liquid resources until any uncertainty in this matter is removed. A further point which we have to keep in mind is that our liquid balances to-day are increased by the reduction in working capital which has followed the closing of some of our works under the Board of Trade scheme for the concentration of industry. We are entitled to hope that in due course circumstances will permit the reopening of those works and that the funds now temporarily released will again be required for trading purposes. You

may rest assured that the directors are guided solely by what they consider to be in the long run the best interests of the company and its stockholders, and they do not at the moment feel justified in recommending the distribution of more profit than is available from the year's earnings.

TRADING REGULATED

Present regulations do not permit me to tell you much about our work during the past financial year, but as I said in the earlier part of my speech, the similarity of the results reflects the conditions which have governed our operations.

Our trade is almost entirely regulated by production for Service orders, by the Board of Trade Utility Cloth Scheme for the Home Market, and by the strictly controlled and relatively small volume of exports. Our contribution to each of these spheres of work is limited by the volume of trade allocated or permitted, and similar limitations extend to the works which we are permitted to operate and the number of employees we are allowed to retain.

Unfortunately, Government orders for textile fabrics do not make as great a demand upon the Bleaching Trade as they do on other sections of textile finishing, and therefore we have not as large a volume of trade from this source. The restrictions imposed on civilian consumption also tend to diminish the proportion of the trade in bleached goods. Quantitative limitation such as that imposed by clothes rationing, coupled with the absence of other desirable objects of expenditure, encourage consumers to concentrate on more expensive lines, and the demand for coloured and fancy fabrics is proportionately increased to the detriment of white goods. Wholesale and retail distributors, who are now compelled to deal at controlled rates of profit expressed as percentages of cost or selling price, naturally endeavour to promote sales of the highest priced fabrics and thus to exclude all but the most essential white goods.

This is a defect in the present system of control which is tending to defeat one of the major objects of that control, and it might well receive the attention of the responsible authorities.

RESTRICTIONS ESSENTIAL

These restrictions are essential to the diversion of the maximum volume of our National resources to the prosecution of the War, and we make no complaint in respect to them except that limitation by quantity rather than by value tends to vitiate the principal object of restricting expenditure and, incidentally, discriminates to some extent against our trade. I believe, however, that those who have the somewhat thankless task of enforcing these limitations are discharging an onerous and often unpleasant duty with conspicuous success and, as far as possible, with due regard to a fair distribution of the burden and of the maintenance, as far as is practicable, of our existing commercial channels and practices.

There have been mistakes, of course—it is a marvel that there have not been more—but the adaptation of our industrial system to a war economy is a performance of which this country has every right to be proud, and we are proud to have made our contribution to it—a contribution which, although perhaps small in relation to the total, represents a very large part of our present activities.

If we could be sure of something of the same enthusiasm and spirit of sacrifice, both nationally and internationally, in approaching the problems of readaptation to post-war conditions, we could look forward to the future with every confidence.

I am sure that you will wish me, on your behalf, to convey to the managing directors and to the other members of our board, and also to the managers of our branches and all of our employees, our thanks for their untiring efforts

BOOTS PURE DRUG COMPANY, LIMITED

RECORD SALES FIGURES

VALUE OF PRIVATE ENTERPRISE

LORD TRENT REPLIES TO CRITICS

The annual ordinary general meeting of Boots Pure Drug Company, Limited, was held, on the 21st instant, at Beeston.

The Rt. Hon. Lord Trent, chairman of the company, presided.

The following is the chairman's statement, circulated with the report and accounts:—

Owing to the restrictions imposed by the paper control, our report this year has to be cut down to approximately half our usual length. The appropriations recommended are set out in the report and the figures are clearly shown on the balance-sheet. Although our sales are easily a record and show the largest increase we have ever recorded, both in number and amount, practically the whole of the profit on this increased business has gone in taxation. Over 6,000 of our staff have joined the Forces, and I regret to say that 96 of them have been killed in action and 63 are prisoners of war, whilst 17 civilians have lost their lives through enemy action; to all their relations we offer our deepest sympathy.

RESEARCH WORK

The past year has been an important one for our research department, as, in addition to the pooled research undertaken in conjunction with other members of the Therapeutic Research Corporation, we have done a great deal of work on medicinal, agricultural, and horticultural products. Especially significant has been the progress made in the research conducted under the direction of Dr Pyman. Thanks to his unceasing work, in collaboration with his staff and that of the fine chemical department, we have been enabled to make striking progress in many directions, details of which, however, cannot be given at present.

Prescriptions.—We have again a record increase to show in the number of prescriptions dispensed, and it is clear that this company, together with its competitors, will be quite capable of coping with any extension of the medical services which the Government may decide upon.

It is, in my view, essential that the multiple chemists, and I here include the many co-operative pharmacies, which represent such an important and progressive section of the industry, should be given the opportunity to place their views before the Government, if the public is to be given the best and most efficient service. There should be no need to set up any new organisation or machinery of control to meet the dispensing and pharmaceutical requirements of the National Health Service now in contemplation.

THE PATENT SYSTEM

I come now to another question in which the Government is concerned. We are to-day supplying many vital and important drugs which, prior to the war, were a monopoly of the Germans, thanks to a patent system in this country which afforded them protection even though they did not manufacture here. Too much importance cannot be attached to the value of research, and when the work of the researchers produces results they are entitled to the due reward of their labours. It should be realised, however, that so long as research, experiment, and inventive genius are encouraged and financed by a reasonable system of royalties, it is contrary to public interest for the State to permit under its system of patents any monopoly of manufacture.

The licence to manufacture should be

granted to any firm that can provide satisfactory assurances of its competence to do so. If international arrangements on these lines could be adopted, there would be a freer exchange of ideas and a wider availability of products, instead of an unnecessary and often uneconomical dependence upon others.

MONOPOLIES AND PUBLIC CONTROL

The mention of monopoly brings me to an even wider question. We have heard a good deal lately from politicians who advocate Government control of industry about the alleged shortcomings of the large private enterprises. This criticism contrasts strangely with the urgent representations that were made to British firms before the war to organise on a larger scale and work in closer association with one another in order to compete effectively with the foreigner. Much of this talk has been superficial and wide of the mark. When politicians venture into theories about industry they are on unfamiliar ground, and their conclusions often bear little relation to the practical facts. Certainly the assumption that the State could produce better results for the community than private enterprise is far from being borne out by the evidence that is available to us.

Expenditure is incurred every day by private enterprise in peace-time on a scale that no Chancellor of the Exchequer would contemplate. Apart from certain utilities, and then usually those locally controlled, I do not think that anybody can seriously suggest that public enterprise has shown evidence of any capacity to replace the existing system from which the nation has derived ever-increasing advantages and a very definite improvement in the amenities available to the masses of the population.

BUREAUCRATIC INTERFERENCE DEPRECATED

I have digressed on this important topic because it vitally affects the future of our community and it is, in my view, imperative that a halt should be called to the wild talk that is indulged in by doctrinaires on such matters. We must all recognise to-day that it is the duty of the State to protect the community against abuses, whether they are committed by private enterprise or by Government Departments. But in a freedom-loving democracy such as ours it is clear that the less State regulation we have the better, and strict limits must be placed on the intervention of bureaucracy in business and private affairs.

WORK OF THE STAFF

It is with particular pleasure this year that I record our appreciation of the work of the staff. The cheerful and willing service which is given in branches subject to frequent raids is a source of great pride to us all. Our senior and permanent employees have had to spend much time and effort in training and helping part-time and inexperienced people, and the directors are pleased to report that this co-operation has reduced to a minimum the dislocation usually associated with frequent staff changes.

As to the future prospects of our company, it is clearly impossible for me to offer any predictions. We function under many conditions over which we have no control, and I can do no more than repeat the words that I used last year when I said that so far as our fortunes lie in our own hands, we have every cause for confidence.

The report and accounts were adopted.

THE DISTILLERS COMPANY, LIMITED

CHAIRMAN'S STATEMENT

The sixty-sixth ordinary general meeting of the company was held in Edinburgh on the 16th instant. Lord Forteviot (the chairman) presided. The following is an excerpt from the chairman's statement sent out with the directors' report and the accounts:—

The profit for the year, arrived at after charging depreciation on the company's fixed assets, a further sum to reserve for investments, and provision for deferred repairs, taxation and contingencies, amounts to £1,947,221. This compares with the figure of £1,962,168 for the previous year. The board have agreed to appropriate and to apply the following sums:—

To reserve fund £500,000, making the fund £3,000,000; to fire insurance fund, £75,000, making it up to £1,000,000; to war contingencies fund £100,000, bringing this up to £200,000. After giving effect to these allocations there is a sum available sufficient to enable the board to propose the maintenance of the dividend and bonus to the ordinary stockholders at the same figure as for the previous year.

With reference to the balance-sheet, I have to report that, during the year under review, the company invested a further £500,000 in National War Bonds. At May 15, 1943, the company's holdings in gilt-edged securities, mainly short term, amounted to £13,000,000.

I do not think the other items in the balance-sheet call for any special reference.

DISTILLING POSITION

While the grain distilleries, due to Government decree, were idle throughout the year, the malt distilleries were allowed a restricted production. A small number of the malt distilleries were thus able to operate for a short period.

There is no prospect of distilling—either grain or malt—during the current year, as, after a review of the cereals position, the Minister of Food has decided that no material can be made available from the 1943 harvest for such a purpose. Stockholders will be glad to know that it is anticipated our stocks should, with care, be capable of bridging the gap until the resumption of normal distillation.

BURDEN OF WHISKY DUTY

In the 1942 Finance Act there was an increase of 40s. per proof gallon in the duty on whisky, and recently there was a further increase—this time 20s. per gallon—bringing it up to 157s. 6d. per proof gallon. This latest increase necessitated an adjustment in the price per bottle, now fixed at 25s. 9d. for standard brands. While at the present time a bottle of whisky will sell in the home market at this price, taking the long view, there is no doubt that the position is alarming. If the duty is not substantially lowered when the present national emergency ends, the home trade will be seriously reduced, with a consequential effect on the export trade. One cannot emphasise too strongly the paramount importance of our export trade to the country in the post-war period. Meanwhile, on the whole, during the past year export trade has been well maintained in the markets still available to us.

YEAST FACTORIES

The yeast factories have again worked at full production, and the established high quality of the company's product has been maintained throughout the year. Last year I referred to our Vitamin B₁ Yeast Tablets, and I am pleased to report that the demand from Government departments and the general public has been decidedly encouraging. The sales campaign is being developed so far as this is possible under present conditions.

CHEMICAL AND PLASTIC ACTIVITIES

Our activities in the chemical and plastic fields, coupled with the ever increasing

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

IMPROVED RESULTS

The thirty-second annual general meeting of the Olympic Portland Cement Co., Limited, was held, on the 15th instant, in London. Mr. John Lawson (chairman of the London board) presided.

The Chairman, in moving the adoption of the report and accounts, said: "The better trading profit of £82,518 is mainly accounted for by the increased quantity of cement sold during the year—766,517 barrels, against 497,479 barrels in 1941. Rather less than 7 per cent. of the improvement was derived from higher cement prices, now controlled by Government order. The demand for cement was only met in the latter part of the year by drawing heavily on raw material and manufactured stocks. Cement production, for instance, totalled 747,355 barrels, against deliveries of 766,517 barrels, while the production of clinker, at 588,000 barrels for the year, compares with a consumption for cement manufacture of 722,080 barrels. The factory output as a whole, therefore, reflects an appreciable expansion over the previous year's operations, but the kilns could have been worked to full capacity had it been possible to ensure adequate supplies of coal. The directors are pleased to recommend the maintenance of the dividend at 10 per cent for the year, leaving a slightly smaller carry-forward to 1943 of £32,197."

When we met last year I drew your attention to the incidence of double taxation on the company, and when I tell you that the sundry creditors' figure of £53,062 stated in the balance-sheet contains provisions of some £33,657 for American taxation, both Federal and State, you will quickly grasp how real is the tax burden. The outlook for the current year is favourable on the whole, although trading results will not be as good as last year.

The report was adopted.

BEECHAMS PILLS, LIMITED

PROFITS AGAIN HIGHER

The annual general meeting of Beechams Pills, Limited, was held, on 22nd instant, in London.

Mr. Philip E. Hill, the chairman, in the course of his speech, said: "For the eleventh successive year your directors are able to report increased profits, this year's trading profits being £94,119 up at £1,269,334."

From a perusal of the accounts it will be seen that we made a profit of £51,512 on the sale of investments of which your directors considered it prudent to dispose in view of the favourable prices obtainable. The profit on these transactions has been added to the carry forward. "The year has not been an easy one, as the raw material position has been more difficult than last year, and quotas and other restrictions have militated against sales expansion. However, sales of the group's products were substantially in excess of those for the previous year."

Our new subsidiary companies, which were acquired in continuation of the board's policy of extending the business of the group beyond proprietary medicines, have all done well and have contributed satisfactory dividends.

Our export trade has suffered somewhat severely from increased Dominion and Foreign taxation and from the stringent shipping restrictions. We have held our own in the major markets, and are ready to follow our policy of expansion as soon as times are favourable. New lines have been put on the markets, and their successful exploitation is only a matter of time.

It is impossible for me to prophesy what the next year's results are likely to be, but I am glad to be able to tell you that so far sales show an increase over last year.

The report and accounts were unanimously adopted.

demand for research, have been fully maintained during the past year, and I should like to report that, subject to the inevitable restrictions of war conditions, satisfactory progress continued to be made in these branches of our organisation. Our investments in the field of plastics are extensive and increasing, but it is somewhat early yet to say how these will develop.

With regard to the current financial year, I can only say that it is impossible to give any indication of the prospects.

ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

The thirty-third annual general meeting of this company was held, on the 20th instant, in London, Mr. W. H. Daukes, chairman and managing director, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—"You will note with satisfaction that the company's liquid position improved during the year and to the extent of about £20,000. You will see on the asset side a note showing two substantial sums due to the local company to be paid as soon as we are in a position to start work again in Java and as soon as the Netherlands East Indies guilder currency is reinstated. The first of these sums, amounting to 752,183 United States dollars, is the proceeds of shipments made prior to the invasion of Java under an agreement with the N.E.I. Government that the dollars should be placed at its disposal for war purposes. The equivalent amount in guilders will be refunded to the company in due course. The second item is our balance on current account in Batavia from the last available records."

The report and accounts were unanimously adopted.

POWELL DUFFRYN STEAM COAL

POWELL DUFFRYN ASSOCIATED COLLIERIES WELSH ASSOCIATED COLLIERIES

The annual general meeting of the Powell Duffryn Steam Coal Company, Limited, was held, on the 21st instant, in London, Mr. Edmund L. Hann (the chairman) presiding.

The following is an extract from the chairman's statement issued with the report and accounts:—"The accounts of the operating company, Powell Duffryn Associated Collieries, are in the usual form, and I would draw your particular attention to the references in the report to the acquisition of the shares of Cory Brothers and Company, Limited, and to the issue of £500,000 debentures for the purpose of providing part of the amount required for this cash transaction. Your directors look upon this purchase as one of considerable importance, for many reasons. Its assets include colliery properties which will increase the productive capacity of the group by more than two million tons per annum. The depots and distributing facilities abroad, added to those already controlled by your company, will place the whole organisation in a position unique in the coal trade of this or any other country, whilst at the same time offering opportunities of substantial economy in the administration of the affairs of the united companies. The business includes the ownership of marine oil bunkering depots, oil storage facilities and leases upon lands in the oil-bearing area of the island of Trinidad."

The report was adopted and a final dividend of 6 per cent., making 7½ per cent. for the year, was approved.

At the annual general meetings of Powell Duffryn Associated Collieries, Limited, and Welsh Associated Collieries, Limited, the respective reports and accounts were adopted.

RECORDS and STATISTICS

Investment

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Cons. Days 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
July 15.....	5,068	4,016	99.6	134.2
16.....	5,259	4,129	100.0	134.2
19.....	6,771	4,977	100.7	134.4
20.....	6,340	4,819	101.6	134.4
21.....	6,012	4,140	101.6	134.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 101.6 (July 21), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 134.4 (Jan. 22); lowest, 133.9 (July 2).

New York

STANDARD STATISTICS INDICES

(1935-36=100)

(WEEKLY AVERAGES)

1943	Low Jan. 6	High July 13	June 30, 1943	July 6, 1943	July 13, 1943
37 Industrials	81.1	103.5	100.9	100.9	103.5
32 Rails	72.6	99.9	94.9	94.9	99.9
40 Utilities	67.9	88.6	86.0	87.0	88.6
439 Stocks	78.5	100.9	98.2	98.4	100.9
Av. yield %	5.36	4.35	4.43	4.44	4.35

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

July 8	July 9	July 10	July 12	July 13	July 14
122.9	123.3	123.4	124.1	124.8	125.4

1943: High, 125.4, July 14. Low, 99.5, Jan. 2.

Total share dealings: July 15, 1,223,000; July 16, 1,041,000; July 17, 397,000; July 19, 834,000; July 20, 991,000; July 21, 765,000.

* Two-hour session only.

Capital Issues

Week ending July 24, 1943	Nominal Capital £	Con- versions £	New Money £
By Permission to Deal	103,661	...	337,520
Particulars of Government issues appear on page 125.			
Year†	Including Conversions £	Excluding Conversions	
1943	1,069,394,068	1,052,658,410	
1942	892,335,123	883,307,209	

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1943	1,050,327,640	1,692,093	638,677	1,043,750,174	1,454,552	7,453,684
1942	882,902,747	349,272	55,190	876,712,868	707,076	5,887,265

* Conversions Excluded. † Includes Government issues to July 13, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Industry and Trade

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	July 15, 1943	July 16, 1943	July 19, 1943	July 20, 1943	July 21, 1943
Crops	120.1	120.3	120.3	120.6	119.7
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	148.0	148.1	148.1	147.9	147.7
	Mar. 31, 1937*	Aug. 31, 1939	July 21, 1943	June 21, 1943	July 14, 1943
Crops	147.9	92.2	114.4	118.4	120.1
Raw materials	207.3	122.9	170.1	182.3	182.3
Complete Index	175.1	108.4	139.5	147.0	148.0

* Highest level reached during 1932-37 recovery.

AMERICAN WHOLESALE PRICES

	July 13, 1943	July 20, 1943
GRAINS (per bushel)	Cents	Cents
Wheat, Chicago, July	146	144
Wheat, Minneapolis, July	146	144
Oats, Chicago, July	109.1	106.5
Rye, Chicago, July	72.1	69.8
	112.2	105.2
MISCELLANEOUS (per lb.)		
Cotton, N.Y. Am. mid., spot	21.56	21.35
Am. mid., Aug.	20.51	20.39
Moody's Index of staple commodities, Dec. 31 1931=100	244.2	243.3

BRITISH WHOLESALE PRICES

	July 13, 1943	July 20, 1943
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. to ch. St. J.	45 8	45 8
Barley Eng. 424 lb. to ch. St. J.	32 9	32 9
Oats (c)	16 3	16 2
JUTE (per ton)		
Dundee 2/3 c. and f. Dundee	45/0 0	45/10 0
HIDES (per lb.)		
Pay Capes, 15/20 lb.	s. d.	s. d.
	0 9 3/4	0 9 1/2
VEGETABLE OILS (per ton net)		
Oil Seeds, Linseed—		
Bombay	32/15 0	32/10 0
Calcutta	29/0 0	29/0 0

(e) Average for weeks ended July 10 and July 17.

Trading With French Africa.—The Board of Trade made two Orders on July 15th under the Trading with the Enemy Act, 1939, relating to transactions with French North and West Africa (S.R. and O., 1943, Nos. 821 and 822). The effects of these Orders are that commercial and financial dealings with persons and concerns in those territories are no longer an offence of trading with the enemy; and that certain restrictions on dealings with their property in the United Kingdom are removed. While communications on business matters with persons in these French territories need not now be referred to the Trading with the Enemy Department for approval, trade between the United Kingdom and French North and West Africa must continue to be conducted through Government channels.

Utility Furniture.—The consideration of applications for permits to buy utility furniture was suspended from July 20th, and will not be resumed until September 1st.

Food Supplies and Consumption.—The Combined Food Board is investigating statistical records and data concerning food supplies and consumption in the United States of America, the United Kingdom and Canada. Dr. John M. Cassels, Dr. Montell Ogden and Dr. L. A. Maynard, all of whom are associated with the United States Department of Agriculture, are taking part in discussions with officials of the Ministry of Food. The Canadian Government is also participating in this inquiry, which will supplement the full exchange of information on food matters which is already taking place through the established channels of the Combined Food Board.

Home Flax Production.—A comparison between output of flax and tow in the period October, 1941, to March, 1942, and October, 1942, to March, 1943, shows that the output of flax has been multiplied about three and a half times; and the output of tow about four and a half times; quality has been considerably improved; and the average cost of production has been greatly reduced. According to the Ninth Report of the Select Committee on National Expenditure, it is apparent that the early difficulties of the Flax Department have now been largely overcome, that remarkable progress has been achieved, particularly during the past six months, and that a further steady improvement may be expected.

Finance and Banking

CLEARING BANK AVERAGES

(Comparative figures: in £ millions)

	June 1942	Feb. 1943	Mar. 1943	Apr. 1943	May 1943	June 1943
Capital and reserves	140.3	140.9	140.9	140.9	140.9	140.9
Acceptances, etc.	92.4	94.9	92.0	92.6	91.7	95.5
Notes in circulation	1.5	1.6	1.6	1.6	1.6	1.6
Current, deposit and other accounts	3,263.1	3,524.9	3,541.9	3,545.1	3,565.6	3,630.4
Total liabilities	3,497.3	3,762.3	3,776.4	3,780.2	3,799.8	3,868.4
Cash	354.6	372.8	376.5	374.9	377.0	386.6
Cheques, balances, and items in transit	143.2	124.1	137.2	119.0	121.6	157.8
Money at call	147.3	153.7	139.3	142.3	158.0	165.0
Discounts	292.0	148.0	172.5	128.4	154.1	236.0
Treasury deposit receipts	542.5	932.5	883.5	963.5	923.5	858.0
Investments	1,058.3	1,108.5	1,132.4	1,136.8	1,150.3	1,159.0
Loans and Advances	800.3	761.5	776.6	756.4	757.3	743.9
Investments in affiliated banks	23.8	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	135.3	137.3	134.5	135.0	134.1	137.7
Total assets	3,497.3	3,762.3	3,776.4	3,780.2	3,799.8	3,868.4

GOVERNMENT RETURNS

For the week ended July 17, 1943, total ordinary revenue was £51,102,000, against ordinary expenditure of £114,878,000, and issues to sinking funds of £275,000. Thus, including sinking fund allocations of £2,680,958 the deficit accrued since April 1st is £1,024,759,000, against £878,937,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to July 18, 1942	April 1 to July 17, 1943	Week ended July 18, 1942	Week ended July 17, 1943
ORDINARY REVENUE					
Income Tax	117,500	165,309	200,321	15,725	19,746
Sur-tax	80,000	8,727	8,770	345	200
Estate, etc.	17,000	3,300	3,950	200	200
Duties	100,000	29,921	29,611	1,740	2,057
Stamps	500,000	7,618	6,456	430	540
N.D.C.	1,000	230	140	...	20
Other Ind. Rev.	1,000	230	140	...	20
Total Ind. Rev.	187,500	287,071	364,662	25,280	33,723
Customs	525,320	132,634	155,641	7,279	8,648
Excise	450,180	102,300	120,100	4,100	4,500
Total Customs & Excise	975,500	234,934	275,741	11,379	13,148
Motor Duties	25,000	3,399	2,348	130	138
Canadian Govt. Contribution	...	111,557	...	8,989	...
P.O. (Net Receipts)	400	5,050	3,250	800	300
Wireless Licences	4,700	690	830	...	...
Crown Lands	800	250	240	...	...
Receipts from Sundry Loans	4,100	772	1,702	93	786
Miscell. Receipts	24,000	27,127	22,245	4,682	3,007
Total Ord. Rev.	2907500	670,850	664,518	51,353	51,102
SELF-BALANCING P.O. & Broadcasting	110,632	29,400	33,000	1,200	1,450
Total	3018132	700,250	697,518	52,553	52,552

Expenditure	Estimate 1943-44	April 1 to July 18, 1942	April 1 to July 17, 1943	Week ended July 18, 1942	Week ended July 17, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	110,005	116,923	3,711	5,853
Payments to N. Ireland	9,500	2,012	2,012	...	...
Other Cons. Fund Services	7,500	3,156	3,219	...	225
Total	392,000	115,173	122,154	3,711	6,078
Supply Services	536,411	143,216	156,442	89,000	108,800
Total Ord. Exp.	575,611	154,735	168,656	92,711	114,878
SELF-BALANCING P.O. & Broadcasting	110,632	29,400	33,000	1,200	1,450
Total	686,243	176,735	171,956	93,911	116,328

After decreasing Exchequer balances by £132,505 to £2,684,224, the other operations for the week (no longer shown separately) raised the gross National Debt by £61,665,764 to £17,885 million.

MONEY MARKET

THE MONEY MARKET.—The banks were called upon to pay £50,000,000 in TDR's this week, and as this went against nominal maturities of £15,000,000 and slightly lower effective maturities, the strain on cash resources has been considerable. The banks consequently avoided purchases of bills in the early part of the week, and the discount market had to receive some assistance from the authorities through special purchases of bills on Tuesday. The position has eased somewhat since then, and some of the clearing banks have turned buyers of bills, but the margin of surplus credit has at all times been extremely narrow. The Bank return shows that the circulation has resumed its upward trend, though the latest weekly increase of £3,065,000 is slightly smaller than the corresponding movement a year ago. The main movements in the return are increases of £26,290,000 in Government securities and £21,635,000 in other accounts. A small part of the former may reflect special assistance given to the market, but in the main the two movements are complementary and reflect a

BANK OF ENGLAND RETURNS

JULY 21, 1943

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	955,983,426	Other Govt.	
In Bankg. Department...	44,252,292	Securities	988,259,153
		Other Secs.	716,588
		Silver Coin...	9,159
		Amnt. of Fid.	
		Issue	1,000,000,000
		Gold Coin &	
		Bullion (at	
		168s. per oz.	
		fine).....	241,718
	1000,241,718		1000,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	180,792,838
Rest.	3,330,607	Other Secs.	...
Public Deps.	6,355,728	Discounts & Advances	4,694,745
		Securities	16,617,253
Other Deps.	147,363,602		21,311,998
Bankers	75,776,702		44,252,292
Other Accts.	223,140,304		1,022,511
	247,379,639		247,379,639

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

COMPARATIVE ANALYSIS

	1942	1943
Issue Dept.		
Notes in circulation	815.3	949.6
Notes in banking department	15.0	50.7
Government debt and securities	827.2	999.1
Other securities	1.8	0.9
Silver Coin	1.0	0.0
Gold, valued at s. per fine oz.	168.00	168.00
Deposits:		
Public	13.9	7.9
Bankers	127.8	161.3
Others	49.9	52.6
Total	191.6	221.8
Banking Dept. Secs.:		
Government	166.2	166.9
Discounts, etc.	5.9	4.3
Other	21.2	16.8
Total	193.3	188.0
Banking depart. res.	16.2	51.6
"Proportion"	8.4	23.2

* 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	Two Months
July 15	23 1/2	23 1/2
16	23 1/2	23 1/2
19	23 1/2	23 1/2
20	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.

NET ISSUES (£ thousands)	150
P.O. and Telegraph	...
NET RECEIPTS (£ thousands)	2,402
Under the War Damage Act	...

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						
July 18	975.0		Not available			
1943						
Apr. 17	980.0	1867.2	203.8	" ... "	1043.5	4104.5
May 24	1 005.0		Not available			
" 8	1 020.0		" "	" "	" "	" "
" 15	1 035.0		" "	" "	" "	" "
" 22	1 050.0		" "	" "	" "	" "
" 29	1 065.0	1885.9	233.3	" ... "	983.5	4167.5
June 5	1 080.0		Not available			
" 12	1 095.0		" "	" "	" "	" "
" 19	1 110.0		" "	" "	" "	" "
" 30	3 028.2		244.4	55.0	925.5	4253.5
July 3	1 140.0		Not available			
" 10	1 155.0		" "	" "	" "	" "
" 17	1 165.0		" "	" "	" "	" "

COMPANY RESULTS (July 7, 1943, to July 21, 1943)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Rubber		£	£	£	£	£	£	%	£	£	£	£	%
Anglo-Dutch Plantations of Java....	Dec. 31	12,250	...	Dr. 38,283	24,109	...	...	...	...	- 36,283	14,835	Dr. 32,676	2
Bahr Rubber.....	Mar. 31	288	...	Dr. 724	2,880	...	...	...	...	724	7,068	5,090	4
Bertam Consolidated Rubber.....	Mar. 31	3,179	...	997	34,856	...	...	...	...	+	62,322	12,749	Nil
Bikam Rubber.....	Dec. 31	11,704	...	Dr. 8,374	48,482	...	...	...	...	- 8,374	146,062	80,759	4
Brang Rubber.....	Mar. 31	976	...	Dr. 976	Dr. 1,623	...	...	...	...	976	1,986	Dr. 2,392	Nil
Brang-Bekau Rubber.....	Feb. 28	80	113	973	974	...	...	...	Dr. 1,925	690	7,044	5,771	Nil
Bukit Mertajam Rubber.....	Mar. 31	1,155	...	Dr. 9,460	36,140	...	...	...	...	- 9,460	72,697	11,160	Nil
Bukit Tupah Rubber.....	Dec. 31	176	...	Dr. 1,459	7,200	...	9,363	5	...	+	25,032	4,940	Nil
Devutirai Rubber.....	Dec. 31	33,309	1,204	93,194	126,238	...	92,379	7	...	+	25,804	8,297	4
Grand Central (Ceylon) Rubber.....	Dec. 31	249,618	4,977	5,788	5,818	...	...	...	...	+	183,943	80,501	6
Java Produce Co., Ltd.....	Mar. 31	314	...	Dr. 1,459	3,407	...	...	...	...	- 5,788	37,747	Dr. 3,037	Nil
Junjun Rubber.....	Dec. 31	81	...	Dr. 1,157	3,342	...	...	...	...	+	21,059	3,407	2
Kelani Valley Rubber.....	Dec. 31	14,327	...	3,888	6,615	420	2,625	7½	1,000	+	16,418	15,160	5
Krian Rubber.....	Dec. 31	834	...	25	8,682	...	...	...	...	- 25	14,460	4,290	2
Medini Rubber.....	Dec. 31	425	...	Dr. 350	Dr. 306	...	...	...	...	+	350	1,374	Dr. 283
Pataling Rubber.....	Dec. 31	6,534	...	Dr. 4,032	35,135	...	...	...	...	- 4,032	107,678	46,490	5
Remfield Rubber.....	Dec. 31	238	...	Dr. 1,409	Dr. 21,584	...	...	...	...	+	1,409	18,020	Dr. 21,861
Reni (Java) Rubber.....	Mar. 31	355	...	Dr. 1,300	8,452	...	...	...	...	- 1,300	12,987	4,808	Nil
Shefford Rubber.....	Mar. 31	659	704	Dr. 1,365	2,180	...	...	...	...	- 1,365	16,715	2,294	Nil
Stellor Rubber.....	Dec. 31	1,278	...	Dr. 6,580	5,660	...	...	...	...	+	6,580	12,679	5,106

Trusts														
British Steamship Investment Trust	June 30	224,772	...	56,969	323,135	9,300	51,262	5½	-	3,593	235,419	61,948	5	
Clyde and Mersey Investment	May 31	72,677	...	22,691	55,849	5,836	10,699	5	+	1,156	72,282	22,294	5	
Dominion and General Trust	April 30	50,061	...	11,092	47,576	7,031	2,344	1½	...	1,717	51,400	11,050	1	
Globe Telegraph & Trust	June 30	196,026	...	205,533	302,786	55,697	117,700	5½	+	32,136	196,380	164,647	5	
Melville Trust	May 31	57,603	...	15,697	41,547	10,872	2,905	2	...	1,920	58,060	15,967	2	
Monks Investment Trust	May 15	54,639	...	17,102	33,469	...	12,406	4	5,000	-	304	53,242	16,542	3
Trusts	May 31	201,615	...	67,629	140,206	20,836	46,302	10	...	491	200,285	60,301	10	

Allied (Edgar) & Co.		April 3	457,781	37,626	46,455	82,796	7,500	17,956	121	20,000	+	999	333,073	39,891	12
Allied Ironfounders		Mar. 31	330,183	...	247,130	430,836	36,014	108,296	121	72,004	+	30,816	324,273	171,767	10
Amalgamated Roadstone Corporation		Mar. 31	114,480	...	37,095	55,920	16,250	19,000	5	...	+	1,845	95,634	45,643	5
Anchor Line		Sept. 30	46,636	...	43,826	92,622	13,750	12,500	5	30,000	+	-12,424	38,333	36,718	5
Armstrong Siddeley Development		July 31	568,320	...	478,556	550,567	32,500	427,500	281	...	+	18,556	531,062	474,655	28
Associated Weavers		Mar. 31	41,963	...	17,064	36,171	3,000	9,000	20	...	+	5,064	49,654	21,894	20
Baird (William) & Co.		Mar. 31	189,985	41,835	128,150	195,425	7,587	66,020	15	55,000	+	10,247	182,437	150,427	15
Baird (William) & Co.		May 31	325,303	...	156,293	234,454	...	139,322	15	...	+	16,977	336,778	155,183	15
Baird (William) & Co.		May 31	325,303	...	156,293	234,454	...	139,322	15	10,000	+	1,308	50,249	22,082	20

000's omitted

EXCHANGE RATES (Monthly Tables)

<i>Colombia</i> *	Open market sight selling rate 175 pesos per 100 U.S. \$ on April 13th.
<i>Ecuador</i> *	Official sight selling rate 14-10 sucres per U.S. \$ on May 3rd.
<i>Guatemala</i>	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
<i>Nicaragua</i> *	Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-03½ cordobas per U.S. \$ (excluding 10 per cent tax).
<i>El Salvador</i>	Sight selling rate New York was 2-50 colones per \$ on Apr. 26th.
<i>Venezuela</i>	Sight selling rate New York 3-35 bolívars per U.S. \$ on Apr. 9th.
<i>Peru</i>	Sight selling rate 6-50 soles per U.S. \$ on May 10th.
	* Official exchange controls are operative in these countries.

OVERSEAS BANK RATES

	Changed	From	To		Changed	From	To	
		%	%			%	%	
Amsterdam	June 28,	'41	3	2	Madrid	July 15,	'35	5
Athens	Mar. 10,	'42	5	3	Montreal	Mar. 11,	'35	5
Belgrade	Feb. 1,	'35	6	5	Oslo	May 12,	'40	4
Berlin	April 9,	'45	4	5				

Brussels	Jan. 25, '40	24	2	Paris	Mar. 17, '41	2	3
Bucharest	Sept. 17, '40	31	3	Pretoria	June 2, '41	31	31

Budapest	Oct. 22, '40	4	3	Rio de Janeiro..	May 31, '35	5	4
Calcutta	Nov. 28, '35	3 1/2	3	Rome	May 18, '36	5	5
Chile	June 13, '35	4	4 1/2	Sofia	Sept. 16, '40	6	5
Copenhagen	Oct. 15, '40	4 1/2	6 b	Stockholm	May 29, '41	3 1/2	2
				Zurich	Nov. 25, '36	2	1 1/2

Helsingfors.....	Dec. 3, '34	4 1/2	4	Tokio.....	...	...	3.2
Lisbon.....	April 8, '43	3 1/2	3	Wellington.....	July 20, '41	2	1 1/2

N.Y. Fed. Res.	Oct. 30, '42	1	3	Wellington	July 20, '41	2	3
				Dublin	Oct. 26, '39	4	

Banister, Walton & Co.	Mar. 31	49,895	...	93,001	123,001	35,000	48,000	12	10,000	+	1	297,178	93,000	12	
Barratt (W.) & Co.	June 30	226,862	18,270	70,286	149,291	11,145	58,406	6	...	+	735	80,518	65,524	7	
Barry and Staines Linoleum	Jan. 31	84,184	...	28,758	43,073	3,750	25,000	20	...	...	...	75,149	31,053	20	
Bassett (Geo.) & Co.	Mar. 31	71,923	...	(r) 126,381	128,445	36,740	89,250	21	...	...	891	304,923	59,884	(r)	
Beecham Maclean Holdings.	Mar. 31	395,860	...	441,973	586,205	110,094	231,286	30	...	+	100,593	1,210,795	361,523	30	
Beecham Pils Limited	Mar. 31	1,331,790	...	20,396	...	...	15,519	10	10,123	...	...	33,070	2,740	10	
Beckett's Brewery Investment	May 31	45,890	...	147,928	7,500	25,000	...	10	50,000	...	...	12,729	228,371	36,585	7
Bolton (Thomas) & Sons.	Mar. 31	290,043	...	451,829	672,474	96,750	352,000	24	...	+	3,079	1,065,510	449,596	24	
Boots Pure Drug Co.	Mar. 31	1,077,911	131,263	23,632	40,951	...	12,500	5	10,000	+	1,132	98,536	20,951	5	
Boulton Paul Aircraft	July 31	96,374	18,258	74,756	108,255	47,250	17,500	10	10,000	+	6	98,577	79,927	10	
British Glues & Chemicals	April 30	97,906	...	13,637	37,727	5,819	6,304	50	...	+	1,514	138,130	15,507	50	
British Lion Film	Mar. 31	157,004	1,213	250,633	515,705	5,252	199,827	25	...	+	45,554	359,827	357,827	25	
British Plaster Board	Mar. 31	232,633	...	55,197	103,576	23,333	29,015	10	...	...	...	228,155	107,460	10	
Briton Film Sales	April 3	253,445	50,000	153,228	17,000	...	2,742	20	...	...	...	55,750	20,000	20	
Brotherhood (Peter)	Mar. 31	92,597	...	365,854	587,285	49,010	215,390	10+	100,000	+	1,454	537,508	374,804	10+	
Brown (John) & Co.	Mar. 31	530,338	66,890	15,788	38,580	11,410	...	...	5,000	...	622	94,023	13,168	...	
Central Commercial Properties	June 30	97,405	...	23,009	48,142	2,500	6,250	5	15,000	...	741	31,102	16,589	5	
Chaplin Holdings	Mar. 31	29,331	...	169,958	581,295	...	...	...	...	+	169,958	228,689	210,132	...	
Crowns and Winkworth Consold. Mills	Dec. 31	1,834,189	1,206,782	619,423	1,109,701	...	500,000	...	...	+	119,423	2,199,717	950,927	7	
Darwin White Star	Mar. 31	155,505	14,042	27,360	29,176	2,206	15,275	6	...	...	...	68,611	27,940	6	
Darwins Limited	Mar. 31	1,963,879	...	1,872,221	2,353,311	66,000	1,216,097	16+	600,000	...	9,876	1,976,610	1,862,168	16+	
Distillers Company	May 15	2,333,627	15,000	38,201	70,891	58,900	18,750	12	15,000	...	951	208,157	54,466	10	
Electric Construction Co.	Mar. 31	237,679	...	126,384	162,808	29,589	97,000	19-4	...	+	395	237,673	117,858	18	
Eno Proprietaries	Mar. 31	274,779	...	10,490	28,868	3,356	7,500	10	...	...	456	31,923	10,093	10	
Evans (William) & Co.	April 30	31,661	5,024	18,600	29,935	5,722	12,228	5	...	...	740	52,005	17,571	5	
Gas Consolidation	Mar. 31	53,537	...	14,934	1,311,120	126,000	367,358	17+	...	...	1,283	1,725,137	499,946	17+	
General Electric Co.	May 31	1,748,917	459,619	10,297	12,707	...	6,418	17+	4,000	...	231	28,869	10,097	15	
General Industries	Mar. 31	35,285	...	11,946	1,996	502	11,250	7+	...	...	23,698	62,319	27,701	...	

† Free of Income Tax. (r) Nine months. (s) Absorbed £319,000.
(u) Excludes £100,000 put to Development and Reorganisation Reserve

† Free of Income Tax. (r) Nine months. (s) Absorbed £319,000.
(u) Excludes £100,000 put to Development and Reorganisation Reserve

(f) Absorbed £9,000.

† Free of Income Tax

(r) Nine months. (s) Absorbed £515,000.

[illegible]

(n) Excludes £100,000 put to development and reorganisation

Tools - for Post-war Housing

ABRIDGED FINANCIAL STATEMENT OF THE C.P.B.S

Share and Loan Capital

£31,760,000

Increase in six months - £960,000

Cash and Investments

£5,313,000

Increase in six months - £617,000

Total Assets £33,532,000

Increase in six months - £807,000

Investments in Government Securities have increased by £1,000,000 to £2,540,000. Mortgage Assets stand at £27,800,000, and Corporation Loans at £976,000

★

ISSUED ON JULY 15TH, 1943, BY THE
CO-OPERATIVE PERMANENT BUILDING SOCIETY
142 HIGH HOLBORN, LONDON, W.C.1

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5214

REGISTERED AS
A NEWSPAPER

JULY 31, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Fall of a Dictator - - -	129	US Small Farmers - - -	139
Public Service for All - - -	131	Post-War Canada - - -	142
New Houses for Old - - -	132	Price Control - - -	145

NOTES OF THE WEEK - - - 134

Unity in Attack; The German Reaction; Balkan Repercussions; Manpower Measures; Farming in War and Peace; The Content of Education; Exports Debated; The Terms of Trade; Minister of Productivity; Curtin vs. Fadden and Menzies; Milk Policy; Conditions of Full Employment; Redistribution of Seats; Croats and Serbs; Shorter Notes.

AMERICAN SURVEY - - - 139

The Small Farmer; Inter-racial Adjustment in the South.

THE WORLD OVERSEAS - - - 142

Post-War Thinking in Canada; Argentina's Trade and the War; Germany at War.

THE BUSINESS WORLD

BUSINESS NOTES - - - 146

More Investment; South Africa's Capital Autarky; Floating Debt Policy; In Defence of Big Business; Increasing Profits; Workmen's Compensation; British Rayon Federation; Note Issue Profits; Burnt Bank Notes; Unilever Stores EPT; Deconcentration; ABP Developments; Hudson's Bay Reserves; Utility Furniture; The Rate for the Job; Natural and Synthetic Rubber; Company Results.

COMPANY MEETINGS - - - 151

RECORDS AND STATISTICS - - - 154

Fall of a Dictator

IN the sixtieth year of his life and the twenty-first of his regime, Benito Mussolini has slipped from the Italian political scene with little more fuss than an outgoing French Prime Minister. The last days of his public career can be quickly retold. On July 19th, he met Hitler at Verona. On his return, the Fascist Grand Council met, and, after a debate lasting many hours, it decided, on the motion of Count Grandi, to restore the supreme Command to the King. Mussolini then resigned, and Marshal Badoglio was entrusted with the task of forming a new Government. After a day or so, spent in collecting a team of non-party men and civil servants, he dissolved the Fascist Party and repealed the powers of the Fascist Grand Council. At the same time, he has declared that the fight will continue.

These are astonishing events. For years now, people inside and outside Italy have been saying "Why doesn't the King abdicate or dismiss Mussolini or do something?" And now he has done it. Yet if now, why not before? Why stage this reassertion of the royal will in the closing scenes of an irreparable catastrophe? The reason is clear enough. So long as Fascism delivered the goods in the shape of empires and colonies and easy success, neither the King-Emperor nor the Army were at all anxious to be rid of the Duce. The Italians might not be fanatically devoted to the regime. But it was there, and there was no overwhelmingly powerful reason for getting rid of it. To-day the situation is reversed. Fascism has nothing to offer. It is obvious to King, Army and

people that the Empire is lost; Sicily is all but lost; so, indeed, is the war. If Mussolini had been able, after his meeting with Hitler, to produce one last trump card in the shape of a German commitment to defend all Italy, then he might have survived a little longer. Presumably he could not, and, faced with the decision of the King and the Army and with his total lack of popular support, he had to go.

The intentions of the new Government are still to be announced. The obvious inference is that after a decent interval they will ask for peace terms, hoping that the departure of Mussolini will soften the hearts and the terms of the Allies. However, Mr Churchill has stated that so far no overtures have been made, and clearly the choice before Italy is not an easy one. The chief anxiety of the Italian leaders at this stage of a losing war is to keep the Italian mainland from sharing the fate of Sicily. If they do not capitulate, southern Italy will become a battlefield. But if they do capitulate, what will the Germans do in the north? The German High Command is not likely to give up the line of the River Po or abandon the plains of Lombardy to become bombing bases for the United Nations unless it is compelled to do so. The Italians might wish to exert pressure on the Germans to leave, but could Badoglio get his troops to fight? The issue is thus one of German manpower. If the Germans are strong enough to hold the north of Italy, even in the face of Italian non-co-operation, it is not certain that the Italians in these conditions would wish to surrender.

To press the Germans might mean that a nation which entered the war unwilling to fight on either side ended up by fighting against both sides simultaneously.

If the Germans are still the masters of north Italy, what has Italy to offer the Allies? The Italian mainland below the Po is a liability, not an asset. It can hardly be used for operations against Germany, and only small portions are useful for operations aimed elsewhere. If occupied, it must be fed and fuelled—the Labour Director of the Ministry of Fuel is already talking of the 5,000,000 or 6,000,000 tons which will be needed from British mines to keep Italy going. The military prospect seems on the whole so unattractive that one may well ask whether the Germans have not hoped to use the disappearance of Mussolini as a bait to involve the Allies in a complicated and fruitless occupation of the strategically useless parts of the Italian peninsula.

These are questions which the layman cannot decide, but it can be said, with great vigour, that only considerations such as these should determine the Allies' policy. What is the military value of an Italian surrender? What strategic advantages would accrue to British and American arms? Until these questions can be answered with certainty, then the only right procedure is the one laid down by Mr Churchill in his speech to the Commons:

We should let the Italians, to use a homely phrase, "stew in their own juice" for a bit and hot up the fire to the utmost in order to accelerate the process until we obtain from their Government, or whoever possesses the necessary authority, all the indispensable requirements we demand for carrying on the war against our prime and capital foe, which is not Italy but Germany.

If, however, the Italians are in a position to make an unconditional surrender—which means of course not a surrender without conditions but a surrender in which the Allied conditions are accepted without question—the Allies will have to determine their attitude towards the Italian Government which makes the surrender. Is the right policy to set it aside and to take over the direct administration of the country? Should Amgot be carried over from Sicily to the Italian mainland? Mr Churchill is undoubtedly right in insisting that an administrative job of such a scale would be a preposterous strain on the Allies' resources.

We certainly do not seek to reduce Italian life to a condition of chaos and anarchy and to find ourselves without any authorities with whom to deal. By so doing we should lay upon our armies and upon our war effort the burden of occupying, mile by mile, the entire country and of forcing the individual surrender of every armed or coherent force in every district into which our troops may enter. An immense task of garrisoning, policing and administering will be thrown upon us, involving a grievous expenditure of power and still more time.

The Allies may, then, have to make use of the Badoglio Government. Many people see in this the unpleasant possibility of a new Darlan episode. It must be said at once that the Badoglio regime marks no particular ideological advance on the Duce's. The Italians themselves must decide how far the House of Savoy is compromised by its twenty-year tolerance of Fascism. But the Allies can say here and now that they do not accept as the leaders of post-war Italy the General and the Army responsible for the attack on Abyssinia, Spain, France and Greece. However, to deal with the Badoglio administration as a military convenience so long as the war against Germany lasts does not entail any political compromise. The analogy is not the Allied handling of Darlan but Hitler's handling of Pétain. And there is also much to be said for allowing the Badoglio Ministry to bear the unpleasant responsibility of winding up an unsuccessful war while other, uncompromised political leaders reserve themselves for the period of peace and reconstruction.

Some critics maintain that there is a third alternative—the setting up of a democratic parliamentary regime now. Is this really so? The Italians have had no organised

political life for twenty years. There are no recognised leaders, no agreed policies. It is also very questionable whether a Government, however democratic, established under the aegis of a foreign invading army, would enjoy lasting prestige once the first enthusiasm had passed. But even if a change of regime now is not practicable and might be harmful, it is very necessary to begin at once the popular processes which underlie democratic parliamentary government—the restoration, for example, of full civil liberties, the right to meet and discuss, the right to speak and write. How else are the recognised leaders and the agreed policies to emerge? There are signs enough already—for example, the Five-Party Milan Manifesto published in *La Stampa*—to show that many Italians are anxious to end the state of political passivity to which Fascism reduced them. The Allied authorities must do nothing either through Amgot or through any temporary arrangements with Badoglio, to suppress the liberties which the Italians firmly believe the Allies are bringing with them. As in Britain at war, no interference with the war effort or disturbance of public order can be permitted, but in other respects political energies should be allowed to flow again. Otherwise the Allies will, after all, find themselves involved in another Darlan episode, and the newly awakened interests and desires of the Italians will be driven underground towards just that "condition of chaos and anarchy" Mr Churchill rightly deplored.

Italy is only the first step. The disappearance of Hitler's chief lieutenant and the possibility that Italy will sue for peace have swung the searchlights to the writing on the wall. The satellite Powers of Europe have known for months past that the Germans might lose the war. Now the Italians have given them a lead in the conviction that the Germans have already lost it. There is bound to be a concerted movement to tumble off the German band wagon. The situation in the other satellite countries will not be very different from the situation in Italy. Their ability to get out of the war will depend on Germany's ability to keep them in. If the Italians withdraw their garrisoning troops from the Balkans, then certainly it may be difficult for the Germans to hold Greece and parts of Yugoslavia, but they may still have strength enough to hold the vital areas—Bulgaria, Roumania, the Hungarian plain. Allied policy in such matters as unconditional surrender, political relations with the capitulating governments, reactions to the movement of popular opinion, must follow the general pattern suggested for Italy. The situation in re-occupied Allied countries—in Greece and Yugoslavia for example—will obviously follow a different model, not without difficulties of its own.

And now, leaving on one side at last the political and military problems raised by the Duce's downfall, let it be said that this week has seen one of the greatest events not only of this war but of Europe's long and often melancholy history. For the war, the event is great because it is the first absolutely clear and unequivocal sign that Germany is beaten and that the "sentence of the watchers" has gone forth on Hitler's brief and bloody empire. But for Europe as a whole, indeed for the world, there is another, deeper reason for content. Looking back over the chronicle of men's affairs, how often the proud and the treacherous and the cruel have continued in their power, glorious and unshaken to the end. How rarely it is that justice is visited upon the oppressors while they are still living. How many empires founded on violence and aggression have survived triumphantly to oppress the grandchildren and great-grandchildren of the men they first enslaved. But with Mussolini's empire, it is not so. Few men of such unbridled pretensions have been dismissed so quietly from the stage of history.

How art thou fallen, O Lucifer, son of the morning! . . . They that see thee shall narrowly look upon thee, and consider thee, saying, Is this the man that made the earth to tremble, that did shake kingdoms; that made the world as a wilderness, and destroyed the cities thereof?

Public Service for All

THE Report of the Norwood Committee on the curriculum of secondary schools is discussed elsewhere in this issue of *The Economist*. There is, however, one brief passage in the report, almost incidental to its main purpose, which deserves more extended comment. In arguing that there should be a brief gap between the last examination of school life and entry to the University, the Committee writes:

If after the war some form of public service were to be required, we can foresee educational values resulting from a period of six months given by boys and girls drawn from varying circumstances of life to work of national importance—in industry and agriculture, at sea, in the social services and in similar fields no less than in the armed forces. Such a period so spent might do much to fuse the country into a single whole with a common purpose and a common understanding.

The Committee, as is proper, is concerned with the educational value of such a period of universal public service—though a hint of a wider purpose appears in the last sentence. But there is no reason why discussion should be restricted to this aspect of the matter, important though it is. It is not only education—and not only education plus national defence—that would be served by such a principle, but a far wider set of values. Indeed, it may well be that the principle of universal public service is one of the most essential ingredients of the new Society towards which the British people, as others, are groping their way.

The most obvious and familiar form of public service is in the armed forces of the Crown. After the last war, conscription was abolished. After this war, circumstances will be different in two respects. First, there will be far less confidence than there was in 1919 that victory for the Allies means the end of force in international affairs; it seems probable that the general view will be in favour of the maintenance of considerable and efficient forces. Secondly, the supply of young citizens of the most eminently military ages will be smaller and declining. It is so probable as to be almost certain that forces of the required size will require conscription for their maintenance. Whether conscription of women will be maintained is more doubtful, but young men will almost certainly have a period of compulsory national service in the armed forces.

The Norwood Committee, however, is not thinking of the armed forces alone, but of public service in other fields. If education is a training for life, then the idea of service to the community deserves a place in it as well as the cultivation of the individual personality and training in mental habits. Even from the severely educational

point of view, the Committee is unquestionably right in bringing forward this proposal.

The argument, however, is wider. It is not concerned only, or even chiefly, with citizens in training, but with citizens in full enjoyment of membership in the community. The mental training of the school is wasted if it is not used after the child leaves school. And training in public service would be pointless if, after the nineteenth year was past, there was no public service to give. A general and continuing system of Public Service is a necessary counterpart to the universal and embracing system of Social Security that is now under construction. The argument that Social Security *à la* Beveridge would undermine individual initiative is nonsense—the more so when it is urged by comfortable persons who have never known the timidity and numbness of initiative that come from fear of insecurity. The danger is not lack of initiative but lack of responsibility. There have been examples in this war of countries where the individual has been so fully encouraged to look to the state for the assurance of his rights that he has thought of himself solely as recipient—and where, when the crisis came, it was difficult to persuade him that his duty to the community of which he was a member not only overshadowed all his rights, but was the only ultimate safeguard for them. Not all these countries speak foreign languages and not all are on the Continent of Europe.

It is a matter of the most vital importance to underline the fact that the state has a power to organise individuals, but no power to create wealth. It can assure the rights of any one individual; it cannot assure the rights of the mass of individuals without their co-operation. The Government cannot be a universal Santa Claus and, if it could, it would merely create the servile state. Emphasis on these truths is the more necessary now at the beginning of an era of vast extensions of social guarantees. When social services were on a small scale, it could plausibly be argued that "the rich will pay." But they will clearly soon be on a scale far beyond the much diminished capacity of the rich alone to support—even if such a policy could be accepted. Social Security henceforward will have to be a co-operative venture, dependent, broadly speaking, on the efforts of those who benefit from it. If then, there are to be rights from the cradle to the grave there will have to be a parallel extension of duties—and not merely of duties in the abstract, but of duties closely related to the rights. Public service and social services should be the obverse and the reverse of the very same medal. The ideal is that the social services should be largely manned by citizens rendering their public service.

This is a statement of principle—of an important

For Insurances of all kinds



ALLIANCE

ASSURANCE COMPANY LIMITED
OF BARTHOLOMEW LANE, LONDON, E.C.1

Custodian of the Future

The Alliance is empowered to act as
Executor and Trustee and as Trustee
for Debenture Issues.

HEAD OFFICE: TEMPORARILY AT KIDBROOKE PARK, FOREST ROW, SUSSEX.

principle which it is vital should receive recognition. But it would be foolish not to recognise that there would be many practical difficulties in the way of its application. The first arises from the fact that the needs of the defence forces must have priority. It is unlikely that the six months of which the Norwood Committee speaks would be enough either to provide a thorough training for the individual or to man the necessary forces. If a full year were needed for this purpose, it would obviously be difficult to find still more time for other forms of public service. Two years out of three score and ten may not seem, on an absolute comparison, too much to give to the community in return for all that the community gives, or is to give, in return. But it would obviously require a considerable change in present ideas—and involve considerable reorganisation in the Universities and the professions—before so long a gap could be required.

Secondly, there would be the difficulty that not many forms of public service can be performed by unskilled boys and girls. The continuous period of service at the age of 18 or 19 would inevitably be largely a period for training and for the acquisition of skills. The answer to this problem, if the community is bold enough to face it, is the answer that is given to precisely the same problem in military service. The skill once acquired, the citizen would have to be required to practise it, in the public service, for a brief period every year. A full system of public service would require not merely a long period in youth but two or three weeks a year throughout life. If every gainfully occupied adult were to put the equivalent

of two weeks a year (it might more conveniently be two months every four years) at the disposal of the community, there would be about 800,000 persons available at any one time. It is these, not the youths in training, who could man the services.

This is, of course, asking a great deal. But it is the human equivalent of the financial cost of a Social Service state. To assume—as is assumed now—that the whole cost of the effort to abolish poverty and insecurity can be measured and paid in money terms is to harbour a dangerous illusion. Money alone can no more buy security than it can buy victory.

Thirdly, there would be the manifold and formidable problems of practical organisation. It would not be easy to organise efficient services with a fluctuating and amateur labour force—even though every one would have had training in his youth, and even though every citizen with special qualifications for any one service were assigned to it—doctors and nurses, for instance, to the medical services.

It is not the purpose of this article either to ignore the existence of these practical problems or to attempt to resolve them. The intention is simply to suggest that the principle should be stated and accepted and that every practical opportunity should be taken, through the years, to implement it. The intention, indeed, is rather more than that; it is to assert that without the implementation of such a principle, democratic society, as it is at present beginning to be conceived, cannot long or soundly endure.

New Houses for Old

LAST week might have been called Building Week. The report of a conference of representatives of local authorities drew the attention of the Minister of Health to the present growing overcrowding and the progressive deterioration of housing conditions. In the Commons there was a heated debate on building costs; and the Building Industries' National Council held a two-day conference to hear the views of a pride of Ministers about building policy. The net effect of these proceedings was summed up this week in a letter to *The Times* from the President of the National Federation of Building Trades Employers.

The recent muddle over the building of a mere handful of agricultural cottages has alarmed the building industry and alarmed the country. It is as nothing compared to the muddle there will be in the housing of the people after the war if wiser counsels do not prevail in high quarters and prevail quickly.

At first glance, perhaps, it is surprising that there should be this alarm, for building is the only department of post-war policy which already has a definite plan. The recent White Paper on the training of building workers envisaged the raising of the industry's labour force to 1,250,000 after the war; the Minister of Health has said that half the post-war effort will be concerned with housing as distinct from other forms of construction; and has interpreted this to mean the erection of 3,000,000 or 4,000,000 dwellings in just over a decade. The trouble is, however, that, though there is this plan, there is still no policy; and by itself, the plan probably raises more problems of policy than it solves. There is no indication of the framework into which building, both residential and industrial, will be fitted; certainly none was given at the BINC Conference. The Government has still to make up its mind about the planning proposals made in the Barlow, Scott and Uthwatt Reports. No official guidance has yet been given on the crucial question whether the building programme implied by the White Paper will in fact be compatible with the other urgent claims on the nation's limited stock of resources. Local authorities in bombed and other areas have still no notion of the likely distribution of reconstruction costs between

rates and taxes. No spokesman, either of the Government or of the building industry, has really come to grips with the question of how much these millions of houses are to cost, either in real or money terms, and how they are to be paid for.

The fact is that the problem, in its broad economic context at any rate, has not yet been fully analysed and understood—by the industry any more than by the Government. It is a problem, first, of demand and, secondly, of cost. The immediate demand for houses is very pressing. There are bombed areas to be rebuilt, slums to be cleared and arrears of maintenance and repairs to be made up; and, in addition, there is a special wartime problem of overcrowding due to the redistribution of the population in search of safety or work. This demand will be greater, not less, immediately after the war, when the Services and the war workers will be demobilised, families will be re-assembled and, in general, the population will again be redistributed. This much is generally appreciated. The Government is taking steps to make damaged and empty dwellings habitable and available; and the first priority in the use of building labour and materials as soon as the war ends is to be to make every possible dwelling fit for use. The only dispute here is the pace at which the Government can now make labour and materials available for these purposes—an issue which raises the wider questions of the allocation of resources between war and civilian requirements, the celerity or otherwise of departmental action and the efficiency of the industry itself, which varies very much from firm to firm.

What is not so clearly appreciated is the next stage in the development of post-war demand, when the prospective overcrowding have been made good. Here the only guide, apart from the general, genuine and commendable desire to see every family in a decent building employment and 3,000,000 to 4,000,000 houses in ten to twelve years. Admittedly, nothing less than an effort of this magnitude can realise the very proper aspirations of the planners and the reformers; but, in

material terms, it is a very ambitious programme. It involves the rebuilding of at least a quarter of the nation's stock of houses in little more than a decade; and the employment, indirectly as well as directly, of something like one-sixth of the nation's labour force in connection with construction work of all kinds. It is imperative, to avoid recrimination later on, that the Government should work out and say whether in fact this can be done—whether, that is, it can be "afforded" in terms of real resources, during the critical reconstruction period when there will be pressing claims upon those resources for industrial re-equipment, education, health and transport.

There is, moreover, another sense in which the questions "Can it be done?" "Can it be afforded?" are apposite. The building done between the last war and this one was mainly done to house a growing number of families and to make up building arrears. This time, the situation will be quite different. Apart from non-residential building, there are six possible sources of demand for dwelling-houses. The first of these is the replacement of houses destroyed by bombing—which will require less than a year's output at the planned rate. The second is houses required to remove overcrowding. The third is to provide houses in replacement of the slums—that is, of unhygienic houses. The fourth is to house the annual national increment of families—now very small. The fifth is to house the local increment of families, due to any redistribution of population. If one thing is certain, it is that these five categories of demand will not add up to anything like 3,000,000 or 4,000,000 houses in the decade after the war. The standards of what constitutes a slum house or overcrowding would have to be raised far above the present levels for the sum of these five categories to amount to as much as half the planned building. It follows that, if the plan is to be carried out, the overwhelming part of the demand must be sought in the sixth category—the replacement by new houses of houses which, however old and inconvenient, are perfectly sanitary and habitable—and which also have a substantial value. The problem was well put a few weeks ago by Mr. F. J. Osborn, of the Town and Country Planning Association:

Remember that in this period we shall not be building mainly for an additional population or to make up building arrears as we were from 1919 to 1939, when we added suburbs to all our bigger towns. We shall be mostly replacing existing buildings with better ones, for much the same population, though a slightly increased number of families. That means wholesale demolition and rebuilding in our existing urban areas and villages.

Nothing is more desirable than this wholesale building of a better Britain, if it is possible. About 8,500,000 of the 13½ million houses in this country date from before 1914. Even if, say, 3,000,000 houses were pulled down and replaced in the first post-war decade, 5,500,000 of the remainder would be over a generation old; and the problem of the obsolescent house is of critical importance to a nation in search of higher housing standards. But the implications of such a large-scale replacement should be carefully weighed. When the war started, the kind of demand which had motivated the building of houses between the wars—that is, middle-class demand and working-class demand assisted from public funds according to set standards of overcrowding and under-housing—was within measurable distance, at any rate, of being satisfied. The goal of one dwelling (of some kind) for every family was in sight; and if there had been no war, either there would have been an early slump in building or the state would have been compelled to raise its standards of overcrowding and slum accommodation—and to increase the amount of money it was prepared to pay in subsidies to make working-class demand effective. In effect, the White Paper, by setting this target of 3,000,000 to 4,000,000 houses, despite the short distance that has to be travelled to reach the satisfaction of demand on the pre-war basis, assumes a dramatic change in public policy—and a dramatic increase in public expenditure.

This is where the question of cost (assuming for the

purpose of the argument that the value of money will be kept steady) is crucial. It will only be possible to engage half the expanded labour force of the building industry in putting up houses if a demand on a large scale for new houses in place of old can be created; and such a demand can only be created in one of two ways. The first way is to get the price of new houses so low that a spontaneous demand for them will spring up from those who are now living in old houses. This is difficult enough to achieve at any time, since the prices and rent asked for old houses can be reduced a very long way before it pays better to pull them down—indeed, demolitions will not be privately undertaken until the value of the land unencumbered and available for new building is greater than encumbered by an old house. But if the cost of new houses is high, there will be no private replacement at all. The second method of securing rebuilding is for the state to subsidise the whole process—including the payment of compensation to the owner of the old houses removed, which, not being condemnable still retain some value. Thus high costs put a threefold burden on the state. By making non-residential building unattractive, they compel residential building to take up a greater part of the task of keeping the building trade occupied. By choking off private replacements, they compel the state to finance a higher proportion of the total number of dwelling houses built. And they increase the cost per unit—that is, the real cost, measured by the alternative uses of resources that have to be forgone.

Lord Portal was right when he told the building industry last week that cost is the key. The higher the cost of building, in real terms, the smaller the amount of building construction that can be included in a properly balanced investment programme. "High cost," the Minister said, "will kill the building trade," and he might have added that it will cripple rehousing. At present, building costs are more than double the pre-war level. Experts anticipate that immediately after the war they will be anything from 60 to 100 per cent higher than they were. It seems certain that building costs at the moment the war ends will have risen by considerably more than middle and working-class incomes. People will not pay more than half as much again for new houses when they already have a habitable old dwelling. Even if the state is prepared to step up its standards of national accommodation and increase the money it is prepared to pay to make working-class demand effective, there is a limit; and the widening spread between building cost and private incomes threatens to make the burden of subsidies, even on the pre-war basis, insupportable.

These are the problems which, within the framework of the national plan and policy that the Government has still to produce, will determine the extent to which the vision of a nation properly housed and sheltered can be brought to earth. It is a sobering thought that almost every expert appears agreed that building cost will continue to run very high for a considerable period after the war, while the 300,000 workers who are expected to return from the Forces and munitions work will have to reacquire speed and dexterity and while another 200,000 craftsmen are being trained. On the other hand there are gleams of light. The Minister of Works has sent an expert mission to the United States to report on new building methods; specialists are busy at the Ministry on an investigation of more economical forms of construction; and some building firms have made notable advances in technique. It may be that the pessimists will be proved wrong. War-time building costs when the industry is working under abnormal conditions in the supply of labour and materials and doing work very different from its normal peacetime jobs, give no precise guide to the trend of costs when more normal conditions are restored. If there is a responsibility upon the Government, as there is, to produce a clear-cut policy for the planning and financing of post-war reconstruction, there is a responsibility not a whit less pressing upon the industry to show itself capable of building houses economically and cheaply.

NOTES OF THE WEEK

Unity in Attack

The German National Committee, which has been set up in Moscow, is composed, like the Union of Polish Patriots, of former Communist deputies and non-party Army officers. The chairman is the German poet and "fellow traveller," Ernst Weinert. Among the ex-deputies are Wilhelm Pieck, Wilhelm Florin and Walter Ulbricht. The two vice-chairmen are Army officers, Major Karl Hertz and Lieut. Graf von Einsiedeln, Bismarck's grandson. If its composition and its terms of reference are examined closely, they do not suggest that the Russians are committing themselves irrevocably to any one set of men or to any one set of principles. The Committee may be useful in the process of winning the war: it is not necessarily a commitment for the post-war period. The terms of its Manifesto seem to have been designed to avoid any kind of ideological divergence between Russia and the Western Democracies. The phraseology runs altogether on the lines of liberal democracy, civil liberty and the rights of man. Nevertheless, the fact that a Committee has been set up in Moscow, without the prior knowledge of either the British or the American Governments, proves that there is a dangerous vacuum in the United Nations' policy at the highest level. To judge by the Russian reticence on Amgot they, too, have been left out of the discussions of a major decision in Allied strategy. This is a very serious situation. The tide of war is flowing now towards victory. Collapse stares many of Hitler's satellites in the face, and, as the quisling regimes disintegrate, the problem of what will take their place becomes a burning political issue. The dilemma has been perfectly clearly stated by the *New York Herald-Tribune*:

If Britain and the United States enter Germany at one end with Amgot, and Russia enters the country at the other with the new Committee, the situation will be embarrassing, to say the least.

Just over seven months ago, when the arrangements concluded with Darlan had shown how far the Allies were from possessing a co-ordinated policy, *The Economist* wrote:

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.

Now that the armies are on the march and the converging movement has indeed begun, the urgency of this plea is reinforced a hundred times.

The German Reaction

There have been some suggestions that the departure of Mussolini was an elaborate put-up job, jointly concerted by the two dictators at their last meeting and designed to involve the British and the Americans in a wasteful occupation of the Italian mainland. Such a suggestion is inherently improbable, for the disastrous effect of the disappearance of a fellow dictator on both German and satellite opinion could not but be obvious to one as skilled as Hitler in mob psychology. Besides, the reaction of the German propaganda services since the event shows that the Nazis had not expected the Italian coup. No line, no policy, had been evolved in advance—now almost a week after the change of regime, Dr Goebbels is still floundering. At first, the news was given without comment, either on the home or foreign services. Then both services took up the theme that, militarily speaking, the change made no difference. Every Italian statement on continuing the war has been stressed. Every Allied statement on unconditional surrender has been taken up, including Mr Churchill's speech to the Commons. This throws an interesting light on the Germans' anxiety about a possible Italian exit from the war, which might well be the first in a mass defection from the German side. *Einkreisung*, the sense of being encircled by enemies, has long been one of Germany's nightmare terrors. The falling away of their European allies would expose the German people to a formidable war of nerves. In the foreign broadcasts, one or two other lines have been tried out—for example, the explanation that Mussolini is in bad health.

Another interesting attempt at an explanation was the blunt statement that since Fascism could no longer be counted on to rally the total forces of the nation behind the war effort, Fascism had to go—presumably to make "total mobilisation" possible. So far neither explanation has appeared on the German home services. Indeed, no explanation seems to have been attempted. This cannot last. No totalitarian regime can allow a friendly totalitarian regime to disappear without finally explaining why. Otherwise people must argue, "If there, why not here?" The explanation, when it comes, may well take up the "total mobilisation" line with which the Germans were made thoroughly familiar last winter. But even this explanation is a boomerang. What if Italy does after all go out of the war?

Balkan Repercussions

The downfall of Mussolini, Germany's satellite in chief, has come as a tremendous shock to all the other satellite countries. In Budapest only have genuine tears been shed for Mussolini; the press reminded the public that Mussolini had been the first statesman among the politicians of the Entente to recognise the "injustice of the Trianon Treaty." But even in Hungary there seem to be few illusions about Italy's true position. Of all the Balkan countries, Hungary has been the closest associate of the Italian satellite; and the latent but obvious crisis in Hungarian politics is now very likely to come to a quick climax. The Prime Minister resigned from his post as Foreign Minister a day before Mussolini's dismissal; and wholesale changes in the Diplomatic Corps are imminent. Some of the Hungarian papers are referring more and more frequently and hopefully to the Atlantic Charter—which only a short time ago they derided as a worthless scrap of paper. Reference is made in particular to those points of the Atlantic Charter which refuse to recognise territorial changes that have not been carried out in accordance with the freely expressed wishes of the nations concerned. A requiem mass for General Sikorski in Budapest was attended by several former Prime Ministers, all former Hungarian envoys to Warsaw and many political personalities. If there were a change in the Hungarian regime, it would be greatly facilitated by the fact that the country has succeeded in preserving the framework of Parliamentary institutions; and in recent months Parliament—which is now in recess—has become, significantly, very restive. The reaction to the Italian crisis in Roumania has so far been rather confused. Bulgaria is taking the new position soberly; and the downfall of Mussolini is acknowledged to be the end of the Fascist system. More than any other satellite country, Bulgaria will be affected by the new military position. Bulgarian armies have done police work in the Balkans for some time past. The withdrawal of Italian troops from this area, which will now be speeded up, will place an enormous burden on the 40 to 45 Bulgarian divisions. Germany cannot possibly hope to replace the Italian forces by Hungarians or Roumanians; and Bulgaria's prospects will to a very large degree depend on the extent to which Germany itself fills the gap by its own reserves. So far, reports speak of about 15 German divisions stationed in the Balkans. In all the satellite countries the tendency to desert the New Order is very marked. It is now a question of timing. Much depends on the speed of developments in Italy itself. Will there be a quick collapse of Italy, like that of France in 1940? Or will there be a protracted crisis more like the breakdown of Russia in 1917, when the Lvov-Miliukov-Kerensky Governments managed to carry on the war for several months before the final collapse? Should events in Italy follow the French pattern, then the Balkan dictators may be left with very little scope for manoeuvre. If events should move more slowly, they may hope to secure better bargaining positions.

Manpower Measures

Mr Bevin's latest statement on manpower is a timely reminder of the hard work still to do before victory is finally won. Shortage of manpower is by no means confined to the coal-mining industry, and as the war reaches its climax even more stringent demands are being made

upon the nation's reserves of men and women, already severely strained. Mr Bevin outlined in the House of Commons on Thursday some of the steps he is proposing to take. A prime need is for the expansion of the labour force in aircraft manufacture; recruitment for the women's Services will be suspended in favour of bringing more women into aircraft factories. The age up to which women must register for direction into national service is to be raised to 50; and fresh adjustments will be made in the allocation of resources between other industries and services. The purpose is to speed the offensive in the air and in the field. Labour in the building and civil engineering industries will be set to construct more airfields for the Americans. The return of seagoing engineers now employed ashore is to be sought; and certain skilled men are to be recalled from the shipyards to locomotive building. But the most critical situation remains that in the coal-mining industry. As Mr Bevin said at Blackpool last week, the labour force must be brought up to 720,000-750,000 from the present 706,000; and to do this, as well as to offset the normal wastage of 20-30,000 men a year, the Minister may have to resort to "desperate measures." The House was relieved to hear that Mr Bevin will only use his powers under Regulation 58A, to compel boys, down to as early an age as 16, to enter coal mining if other measures fail. At present young men called up can choose coal mining instead of military service, up to the age of 25. Mr Bevin proposes to remove this age limit; and if an insufficient number opt for mining (as only 3,000 youths have chosen to go into the pits since last October, no great results can be expected from this cause) he will compel men of 18-25 who would otherwise be called up for the Forces to enter the industry. Mr Bevin emphasised the need for adequate training facilities now and for post-war opportunities for training. In this connection, it is important that the Government should implement the proposals of the Forster Committee. These included provision for an initial training period for juvenile entrants into coal mining, with further training for juvenile face workers; suggestions for leisure time schemes and for the health, safety and welfare of juveniles; the continuation of the guaranteed-pay week, and the adoption of a national minimum wage scale for juveniles. At the same time, the Government should press on with its effort to maintain the level of production by every other possible means, so as to render unnecessary the conscription of young boys—which is unpleasant to contemplate and very naturally regarded by parents with reluctance and alarm.

Farming in War and Peace

It is common practice nowadays, it seems, for Ministers of the Crown to sail under sealed orders. "Thinking aloud behind closed doors" is the apt description that has been given to the tortuous negotiations which the Government is conducting about the constitution and functions of local authorities; and the phrase is not inapplicable to present policy-making at large. This week a number of Members of Parliament expressed indignation that the new Workmen's Compensation Bill came cut and dried to the Commons some time after all its final details had been divulged, in confidence, to the interested parties. More resentment still was shown during Wednesday's debate on agriculture when Mr Hudson revealed that he is "under instructions" not to talk about post-war agricultural policy—to Parliament, at any rate. The "four year plan" which he expounded is not designed for peacetime proper, but for the period of relief and emergency after the war, when many of the conditions of wartime will remain. During this period, he said:—

Our chief aims must be to maintain the high level of production we have already reached. . . . The basis of our plan during the next four years must be to maintain our present production of food for direct human consumption, while at the same time taking steps to ensure that the fertility of our soil is not undermined, which necessarily involves also an increase in livestock and livestock products.

Mr Hudson paid a high tribute to the Hot Springs conference, and has plainly taken its proposals for the first peacetime stage of relief economy very willingly to heart. Unfortunately, he is apparently not allowed to say whether its proposals for the second stage of economic and specialised farming, with the world's crops grown and drawn from the most suitable and efficient sources of supply, are to be equally well received, in practice as well as verbal tribute. The process of adjustment from emergency national farming to stable international trade (with primary producers protected, as everyone is agreed, against sudden slumps)

will be most critical of all. Without undue criticism, it must be suspected that the longer the duration of quasi-war farming, which has such obvious advantages for the farming community, and the more protracted the delay in stating a long-term policy, the less willing—and the less able—will the Government be, when its lips are unsealed, to make the necessary change-over. British farming has notably improved in efficiency during the war; and the cost of farming in other countries may well be higher in the future than the past. But it is certain that if British farming continues indefinitely to be run in peacetime on war lines, in quantity and kind of product, it will be uneconomic and expensive to maintain.

The Content of Education

The Norwood Report, which is published this week, is the first of the three whose absence made such large gaps in the Government's White Paper on Educational Reconstruction. Its subject is "Curriculum and Examinations in Secondary Schools," and if all three gaps are filled with as much wisdom and sense as this one the country will be very well served. The Committee accepts the proposed threefold division of secondary schools into Grammar, Modern and Technical Schools, though its chief concern of the present report is that Grammar schools, which are again divided into three sections—the Lower School from 11 to 13, the Main School from 13 to the statutory leaving age (15 or 16), and the Sixth Form thereafter. The Committee was bombarded with suggestions for additions to the secondary curriculum. These suggestions came from two sources. The first consists of those people who think that education should be "useful," by which they mean vocational. The second consists of those who hold the opposite view, that there are a number of subjects that the intelligent citizen "ought to know something about" and which consequently ought to be taught in the schools. The first argument is obviously inimical to good education. The second is more specious, but the Committee very wisely rejects it, partly because the school week is already too full, but mainly for a more fundamental reason. This is their

Voice of the North

ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

belief that the child is being forgotten, and that education is not at present sufficiently "child-centred." Their contention is that it is not the contents of the mind that matter, but its shape; not knowledge acquired, but the "qualities of spirit and habits of mind" with which the child is endowed by his education, and for this purpose "we would urge that the best approach is through the existing subjects." Their main object, so far from adding new subjects, is to get away from the excessive tyranny of the existing subjects, as now arranged. There is, the report says,

A tendency to regard subjects as having claims in their own right both absolutely and in relation to others, without real regard for the supreme consideration, which is the special needs and special aptitudes and abilities of the pupils themselves.

The aim, the Committee thinks, should not be "knowledge" of any "subjects," but "sound learning"; and as for the method of acquiring this, they quote with approval the parent who said "that he does not care what his boy is taught so long as he is well taught." It does not follow, of course, that the curriculum should be quite shapeless, and the Committee indicates what subjects should find a place upon it. They think, as is reasonable, that there should be a fairly wide range in the Main School. In the sixth form, they acknowledge the difficulty of the choice between breadth and depth, but vote for depth in a comparatively narrow range. But at all ages, their main prescription is for more freedom—more freedom for schools to be different from each other and more freedom for children in each school to be different

These ideas involve some radical re-casting of the present examinations system. The most difficult problem is at the age of 15-16. The Report points out all the anomalies of the School Certificate examination, which now rules supreme at this age. In form, it is a university entrance examination; but it is set, two or three years before the age of entry to the university, to children most of whom end their education with it. Nevertheless, its required subjects and, within each subject, its syllabus and "set books," dominate the secondary school curriculum. The Committee recommends that it should move in the direction of being an internal examination, conducted by the teachers in each school, but, for a transition period, it proposes that the examination should still be set by the university bodies, without, however, there being any compulsory subjects or combinations of subjects, or syllabuses. The Certificate given to each child would state what standard he had reached in what subjects, and would add an estimate of "the way in which he had used the opportunities offered to him by his education, using the term in its widest sense." The headmaster of Leeds Grammar School reserves his position on the extent to which the examination should become wholly internal and it is true that the opposite danger to too much rigidity is a complete lack of all objective standards. Subject to this reservation, the proposed reform is obviously wise and timely. At 18, the Committee recommends three tiers of examinations. Every December, the universities and colleges should hold their scholarship examinations. In March, there would be an examination, held by the universities, to select State scholars. Both these examinations would, of course, be competitive, but, in the latter, qualities other than the purely intellectual would count. Finally, there would be a School Leaving Examination, which would provide evidence of competence to enter a university (other than as a scholar) or to pursue professional studies. Most boys and girls would, of course, take only one of these examinations; very few would take all three. It is obviously impossible in the compass of a single column to give more than a brief review of the main provisions of a report which, if adopted, and if applied by sufficient teachers of the right standard (the province of the McNair Committee) will make possible an immense advance in the quality of English education.

Exports Debated

Tuesday's debate on export policy showed the Commons divided into two groups, the Pessimists and the Optimists. The Pessimists were best represented, in familiar FBI vein, by Sir Patrick Hannon and, in a more esoteric fashion of argument, by Mr Shinwell, both of whom based their apprehensions about the future of British exports upon fear of the productive capacity of the United States.

Sir Patrick Hannon put what now appears to be the orthodox view of organised industry in this country—that is, that it will be impossible to maintain the competitive power of British industry unless the Americans agree to share their world markets with Britain. Mr Shinwell's solution is somewhat different. He does not accept the simple division of markets by agreement, because he does not believe that "45 million people can talk on terms of equality with 130 millions." Therefore, he suggests that Britain should take the lead in planning production and trade in two international alliances—the British Commonwealth and a European Federation—to stand up against the vast export drive which he expects from across the Atlantic. The one believes in appeasing the challenger, the other in ganging up against him. Neither paid much attention on Tuesday to the simpler, more straightforward, more effective and less perilously irresponsible alternative proposed by Mr Summers, who drew attention to the need to improve the efficiency of British industry by re-equipment and modernisation, assisted by a positive and constructive taxation policy. In this, Mr Summers followed the lead of Mr Burgin, first man in for the Optimists, who had picked out skill and productivity as the decisive factors in export prospects; and it is a fact that Britain's external trade after the war, like its internal economic activities, will depend—as it did in the old days—whatever system is adopted of sharing out markets or planning production—on the comparative amounts that can be produced per unit of labour and capital.

The Terms of Trade

Mr Shinwell's speech in the export debate did not altogether ignore the basic economic verities, by any means; it was not all of one colour. First, he suggested, apparently to tantalise other speakers, that exports do not matter at all, because, "if we are going to develop the standard of life of our people, it must be in the main by our internal industries" (which is, of course, quite true). Then he recognised, handsomely, that exports do matter, because we must sell in order to be able to buy imports (the sole reason, as he said, for exporting). Finally, he admitted, more handsomely still, that "when you get goods coming into the country that cost less than it would cost to produce them at home, the advantage that is derived is in the increasing of national income"—which is the whole point. It is, in fact, the point which both the Optimists and the Pessimists of last Tuesday's Commons debate would do well to get together to consider. The key to standards of living is productivity. As a country's productivity rises, so does the power of its people to buy and sell, both at home and abroad; and international trade, however it is organised, free or controlled, competitive or planned, must, if it is to advance the wealth of nations, be simply the exchange of goods which cost less in terms of real resources to produce than to buy, for goods which cost less to buy than to produce. Whether one is an Optimist or a Pessimist must depend, first, not on calculations of trade organisation, whose importance, though undoubted, is nevertheless secondary, but on an estimate of the relative productivity of British industry after the war. It is, of course, essential, as Lord Southwood insisted in the Lords on Wednesday last week, to provide the conditions of trade; to agree upon a flexible plan for currency and the exchanges; to prevent "catastrophic changes" in the prices of primary products; to expel restriction by monopoly or other means; and to pursue the development of backward areas by joint and ample investment. But to the individual producer, trader or nation, it is the terms of trade that matter most, the comparative costs, in labour, plant and materials of what is sold and what is bought.

Minister of Productivity?

The Minister of Production, Mr Oliver Lyttelton is unashamedly an Optimist. The speech he made at Oxford a week ago was ostensibly to pay a well-deserved tribute to the development of welfare in industry under the guidance of Mr Bevin, to the growth in the number of personnel managers, welfare officers, canteens, factory doctors and nurses, and to the work of the Joint Production Committees, which Mr Lyttelton, like the Minister of Labour, regards as properly "a permanent part of the country's industrial life." But the Minister of Production did much more than pay this tribute. He looked at the

broad future of British industry in its economic and technical aspects.

Over the whole field (he said), we must be imaginative and audacious. We must realise that it is possible to bring in a far more prosperous era than we have ever seen.

This was a challenging and timely statement. The record of the past 43 years shows that "our power to reproduce, to re-create our wealth" is not less but greater than the "power to destroy," which is so much in evidence to-day. But, potentially can only become practice by policy. The plainest obstacle, as Mr Lyttelton said, is unemployment; curing unemployment means not simply the statistical trick of taking idle workers off the unemployment register by putting them in uniform or to useless tasks, but rather employment means more than work for all; it means the most productive work for every worker and every machine. National productivity is the mainspring of national wealth, international productivity the mainspring of the wealth of nations. The obstacles to the best use of resources are well known: restrictive practices by both capital and labour, by workers, industrialists and merchants alike. But it is not possible to take off these brakes if the wheel is not capable of going round even without them.

You will not persuade the workman that when labour is in over supply, he is doing an economic wrong by preventing the dilution of his trade, and you will not persuade the employer and the capitalist that he is doing something anti-social by preventing redundant production from bringing bankruptcy to a whole industry. . . . It is to the causes that give birth to restrictive practices that we have got to address ourselves.

Mr Lyttelton turned to the instruments of a policy of expansion: "It is towards the creation of demand and to the use of inventions that the economic thought of our specialists must be directed."

I believe that in peacetime in this country through our whole economic system we have been too orthodox, too anxious to balance budgets in times of slump, too unwilling, that is, to believe that we can catch up again in times of prosperity, too inclined to restrict credit when the sky is darkened, too intent on balancing our accounts instead of looking to the economic realities that lie beyond them.

Mr Lyttelton's plea is for a financial policy that will ensure that, nationally and internationally, the financial means will never be lacking for any tasks that are physically possible, that is, for which the resources of labour, plant and capital are available. His argument ended as it started—on the note of productivity and efficiency in work. The "creation of demand" must in fact be done by the "use of invention," by increasing the three-fold power to produce, to sell and to buy, both at home and abroad, in the vast regions of the Empire, Russia and China. It is perhaps a pity that Mr Lyttelton's speech was not made in the House of Commons during the debate on export policy.

Curtin vs. Fadden and Menzies

The election campaign has begun in Australia, and it is already running a characteristic course. Both sides are seeking the working majority that no Australian Government has had for several years. All the 74 seats in the

House of Representatives are involved, and 19 out of the 36 seats in the Senate. At present, the Government and Opposition each have 36 seats in the Lower House, and Mr Curtin has had to depend precariously on one or another of two Independents. In the Senate, the Opposition has a majority of two; and of the 19 seats which come up for re-election this year, 14 are held by the Government. It is by no means sure that this uneasy balance, which has made government very difficult, will be ended by the forthcoming elections. Even if Mr Curtin gains a small majority in the House of Representatives, which is far from certain, he is very unlikely to gain control of the Senate. Now that the acrimonious echoes aroused by the unfounded attack made by one of his Cabinet on his predecessor as Prime Minister are dying down, Mr Curtin is taking his stand on the Australian war effort during the past 20 months. During that time, both the total number of men in the armed forces and the number of volunteers for Service anywhere have doubled; 820,000 men are in arms and the number of volunteers for unrestricted service exceeds half a million. Civilian production, which engaged two-thirds of Australia's industrial capacity when Mr Curtin took office, now takes not more than one-quarter. It is, of course, true that the Japanese outburst 20 months ago made a transformation of this order imperative in Australia, whatever the colour of its Government; but Mr Curtin is entitled to the highest praise for the achievements that have been recorded, both at home and abroad, during his leadership. The complaint of the Opposition is that this national effort has been tinged too much with sectional politics. Mr Fadden is in favour of an all-party Government and wishes to take the war out of politics. He has expressed himself implacably opposed to both strikes and inflationary finance, and accuses Mr Curtin and his Ministers of using the war as an excuse for Socialist measures. But Mr Fadden's case—and electoral chances—are somewhat weakened by his failure to prevent politics and personalities from dividing the ranks of his own supporters. Within the last few days he has had a bitter battle of words with Mr Menzies, who claims that Mr Fadden's plan for the refund after the war of one-third in all (ranging from three-quarters in the case of the lowest incomes to one-twentieth in the case of the highest) of the taxes collected in and after the financial year 1941-42 is bound to cause post-war inflation, whatever Mr Fadden's views may be on inflation in wartime. There is an edginess and testiness on both sides of Australian politics which does not auger well, on the face of it, for undivided attention by any party to the real issues of Government. Both sides, in addition to seeking a majority now, are jockeying for post-war position, and reconstruction projects in the most general of terms are staple items in their election platforms. On the other hand, it must be said, without any reservation, that, in spite of the high-strung nature of Australian politics, the Australian contribution to the war in both human and material terms has been, and continues to be, astonishingly and increasingly large. The only problem is whether, in the present mood, the Australian politicians will be equally capable of solving the considerable problems that will appear as soon as the war has been won and the Japanese menace, which has evoked so noble a response in Australia, has been brought to an end.

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

Milk Policy

The House of Lords this week debated the Government's recent White Paper on improving the quality of the milk supply. There has been general approval of the proposals, but doubts are felt about the wisdom of allowing "accredited" milk to be sold unpasteurised. It is contended that tubercle bacilli are frequently found in the milk from accredited herds, although they undergo a general inspection every three months. The White Paper proposed that where accredited milk is not heat-treated, the herds should continue to be inspected quarterly, but though glaring cases of TB infection may be revealed thereby, the only safe policy is to pasteurise all milk that has not passed the tuberculin test. Shortly after the public heard that its milk was to be made safer, it was told that its milk ration was to be reduced to 2½ pints a week from the beginning of August. This reduction is being made three months earlier this year than last, and it is said to be due to the special demands for manufactured milk products from the armed forces. It is not said, as was emphasised a year ago, that the milk shortage is due only to greater consumption, and that actually more milk is being produced than in peacetime. It is possible, therefore, that production is falling off or is at least not keeping pace with the estimates. Farmers have certainly little incentive to increase production, for it is easily the least profitable of the different branches of farming, and so early a reduction in the ordinary ration seems to forecast smaller supplies of milk this winter than last. The best remedy would be to reduce the margin between the profitability of dairy and other farming by making other farming less profitable, not by making milk production more so. This, however, is a counsel of perfection, and if Lord Woolton is to have his milk, Mr Hudson will have to increase the price—and the subsidy—still further. But Lord Woolton could also with advantage examine the working of his scheme for distribution. It seems to be only the towns that have had their rations cut. From the country come stories that people are still allowed as much milk as they want.

Conditions of Full Employment

Sir William Beveridge has often defined in broad terms what are, in his view, the main conditions for the fulfilment of Assumption C of his report—the maintenance of employment. Last December, in Manchester, he said that there must be national planning machinery, fluidity of labour and a policy for exports, and that the Government should show speed and determination in the preparation and execution of these measures. In a speech at Leeds, last week-end, he advanced the argument a stage further. He suggested three lines of attack for avoiding cyclical depressions after the war: first, financial incentives to private enterprise to increase, repair and replace capital; secondly, public investment to counter fluctuations in private investment; thirdly, the influencing of consumer demand by increasing or decreasing taxation. It is difficult to do more than state these problems and tasks in general terms unless and until something more is known of the Government's intentions about the policy and machinery of planning. On mobility of labour, little has hitherto been heard about the trade union attitude. Mr Bevin at the Miners' Conference last week, did give some indication of his own view, but his very important remarks were completely overshadowed by his statement about the recruitment of boys. The Minister of Labour repeated what he has frequently stressed, namely, that if the workers are to maintain the benefits they have secured as a result of the war, and, further, to improve their standards, they must be prepared to accept continued responsibilities, since they cannot expect rights without corresponding duties. Mr Bevin hopes that the guaranteed week will become a permanent feature of industry, and he suggested that the second great wartime innovation—the principle of direction to work—might also be continued with advantage after the war. The acceptance of this principle by the trade unions would contribute enormously to the movement of labour, within the framework of a policy of full employment, to the work and places where they can be most judiciously employed. There is still no indication of the unions' attitude towards the question of compulsory training of the unemployed, which is an equally fundamental factor in mobility; and it will be more than interesting to see whether the Trades Union Congress, at its September meeting, is prepared to define its attitude towards these very vital matters.

Redistribution of Seats

The Home Secretary recently announced the Government's intention to bring in legislation for preparing a continuous register in each constituency and for enabling members of the Forces to vote either by post or by proxy. Last Thursday, Mr Morrison stated that the Government is now preparing to follow up this measure with its logical corollary—the redistribution of parliamentary seats. The existing maldistribution, with some constituencies depleted and others swollen far beyond their original size, is just as anomalous as the present out-of-date register, but is an even more difficult matter to adjust. The last distribution of seats took place in 1917, and there were very large movements of population during the inter-war years, while wartime mobilisation and evacuation have complicated an already difficult problem. It is, of course, impossible to lay down a precise basis for parliamentary representation without any knowledge of the likely location of industry and distribution of population after the war. Probably the best empirical solution would be to effect redistribution on the basis of the 1939 population—which is certainly a better criterion than that of 1917, whatever changes may have occurred during the war—and then to arrange for periodic readjustments. Mr Morrison did not enter into detail about the basis to be adopted. But he said that the legislation would follow the principle laid down by the Speaker's Conference in 1917, that "each vote recorded should, as far as possible, command an equal share of representation in the House of Commons"; and that a standing body of Boundary Commissioners would be appointed to keep the state of constituencies under constant review and prepare schemes for parliamentary approval. The House received with gratification the news that legislation on the lines of the Vivian Report on electoral machinery is being prepared and that the Government hopes to introduce a redistribution scheme before the first post-war general election is held. But many Members remained disappointed that there will be no opportunity for a general discussion of electoral reform before the recess, and the feeling was widespread that many of the wider issues have still to be solved.

Croats and Serbs

If in their extremity the Italians withdraw their troops from the Balkans, and the Germans are thus compelled to shorten their defence lines drastically, then the Adriatic coast may become a potential entry point into Europe for the Allied armies. True, the topography of coast and hinterland is exceptionally difficult—rocky shore, narrow valleys, bad lines of communication. But if the mountains are occupied by trained and vigorous guerrilla fighters who are prepared to co-operate fully with the invading armies, then Yugoslavia can become an attractive military proposition. It is therefore all the more unfortunate that the breach between General Mihailovitch's Serb Chetniks and the Croat Partisans is still unhealed. The Germans have referred to a number of occasions on which they have come together in local actions, but in general the feud remains; and it is certainly not lessened by the passion with which the supporters of either race in other lands are taking a hand in the controversy, using the term "traitor" so freely that not even Dr Matchek, a central figure in Croat resistance, has been spared. It should be the task of the new Yugoslav Government in London to counter these polemics and to neglect nothing that could restore unity. Unhappily, the Trifunovitch-Jovanovitch combination is pan-Serb in the uncompromising tradition of Pasitch, and the fact that the Ustasi Croats have co-operated with Germany is being used as an excuse for dismissing the claims of the anti-German Croats—of which the Partisans are the fighting wing. Behind all these failures lies a fact which people abroad have perhaps been slow or unwilling to accept. The picture usually painted of Europe is one in which common resistance to Hitler has created a united front between minorities and majorities which were formerly at daggers drawn. This is unhappily far from the case. There is no country in which the Germans have not known how to encourage one racial group at the expense of some other. In Yugoslavia, the Ustasi Croats received "most-favoured-nation" treatment and took advantage of this to massacre the Serbs living in Croatia. This fact exasperated pan-Serb feeling, and now the two races are probably further from unity than they were when they signed their agreement in August, 1939. Left to themselves, they may not be able to reach a solution. It is the responsibility of outside Powers

to create a framework within which some sort of settlement can be worked out. The Minorities Treaties were such an attempt after the last war. Similar but much stronger guarantees will be needed after this.

Shorter Notes

Complete results in the South African election are not yet available, but it is clear that the victory of the Smuts Government is likely to be even bigger than was expected. The course of the war has handsomely vindicated the policy of the Prime Minister and invalidated the Opposition's case for neutrality and no commitments to Britain. Deeply divided among themselves, the Opposition parties have been heavily defeated in an election which they never hoped, or really tried, to win; and their chance will not come again until the problems of peace supersede those of war—when South African politics will once more be in the balance.

M. Maisky has been appointed Assistant Commissar for Foreign Affairs, without any indication so far of what this implies for him personally. If this appointment means

that M. Maisky will not return to London, there will be widespread regret. Much in the future of Anglo-Russian relations will depend on the quality of his successor.

The Rushcliffe Committee has now issued its report on the salaries of midwives. The Minister of Health has accepted its recommendations, which include a national scale of salaries to all certified midwives, whether employed in hospitals or in the domiciliary service, the adoption of a uniform which only state certified midwives may wear, and the institution as soon as possible of a 96-hour fortnight with 28 days of paid leave a year.

The US Office of War Information has been rebuked by President Roosevelt for a broadcast which referred to the King of Italy as the "Moronic King." Some three years ago, it will be recalled, the BBC incurred the public displeasure for including the same King in its list of birthday greetings.

The Pensions Appeal Tribunals Bill has now passed through all its stages in both Houses.

AMERICAN SURVEY

The Small Farmer

(From a Correspondent in Colorado)

Denver, July 5th

THE paradox of the smallest of the three general farmers' organisations of the United States is that it has always been counted as the most radical and as the organ of the "little" farmers; yet it has become big business, whose members and affiliates share in co-operative enterprises worth \$100 millions, with a \$400-million volume of business yearly.

This is the Farmers' Educational and Co-operative Union of America—the Farmers' Union for short. The paradox was recently pointed up when its huge, five-year-old Farmers' Union Grain Terminal Association of St Paul, Minnesota, bought the big St Anthony and Dakota Elevator Company of Minneapolis, and the Brown Grain Company, a commission house, thus becoming by far the nation's largest grain-handling organisation. Now it has a net worth of \$13 millions, will handle almost half the durum wheat crop and large fractions of other types, has 450 country grain-elevators all the way from the Great Lakes to the Pacific Coast (plus 38 lumber yards owned by St Anthony and Dakota), and a capacity in terminal elevators of more than 10 million bushels of grain. (One of its elevators alone, built in 1941 at Superior, Wisconsin, has a capacity of 4,500,000 bushels.)

The Union has other large business enterprises aside from the Terminal Association. The Central Exchange, also at St Paul, has one of the largest assembly plants for farm machinery in the United States, and has recently bought a refinery at Laurel, Montana, for refining petroleum products, with a capacity of 6,000 barrels a day. Since the Union is a federal organisation with no central check or reports at headquarters from the co-operatives organised by members, there is no central estimate of the economies realised by operations. But the Grain Terminal Association was said to be clearing \$1,000,000 yearly even before its latest acquisitions; the Central Exchange is said to return \$350,000 yearly to members; and there are some 20 other co-operatives which return \$100,000 a year each, or more. Union Security Association, a life insurance company also five years old, now has \$17 million in policies in force.

On the general business front, the 1,500 co-operatives owned by Farmers' Union members and affiliates buy and sell almost everything produced or needed on the farm or in the home. They buy insurance and hospital care and electric current and seed and tools and lumber for their members; the first co-operative hospital in the United States

was that founded by Dr Michael Shadid in 1934 for an Oklahoma Farmers' Union unit. They sell virtually every farm product—there is even a co-operative in the South that sells lily bulbs. The expressed goal of the Union is that, together with all other genuine co-operatives, theirs may some day handle 10 per cent of America's retail trade co-operatively, which, it is felt, will provide a yardstick and check on the profits of private business. If they reach this goal, who is to insure that they will stop there?

The autonomous co-operatives are all organised on the Rochdale plan, with each member having one vote in the affairs of the co-operative, regardless of how much patronage he gives it, with sales at the retail price level, and profits returned as dividends according to patronage—or ploughed into the business. One need not be a member of the Farmers' Union to become a patron-member of a Union co-operative; there are approximately 500,000 individual shareholders in the co-operatives, against a Farmers' Union membership of 126,000 "farm families" in 28 states—a gain of about 20 per cent in the past year.

The Union's national headquarters are now at Denver, where all national activities have recently been centred in a modernistic building on an 11-acre tract on the prairie outside of town.

The organisation was founded in 1902, by a Texas editor of a weekly paper, Isaac Newton Gresham, and a group of farmers who were in miserable circumstances. It is interesting that of the country's three major farm organisations the Grange rose to power in the disturbed conditions following the Civil War, the Union was founded after the Spanish-American war, the Farm Bureau after World War I.

The Union spread very fast at first and instituted many co-operatives. But some of these got away from the Rochdale plan, and failed; and the Union itself was later almost swallowed up in the flood of political farm organisations, such as the Nonpartisan League and the Farmers' Alliance, active in the Great Plains states following World War I. As a result of such experiences, it now has a rule that if a Union official wants to run for office, he must first resign his post in the Union.

But the organisation is, and always has been, a pressure-group on behalf of farmers—many of the "farmers' marches" and "farmers' strikes" of the 1920's were either led by Union members or were authorised by various union locals, and it has been of very considerable recent importance on the national scene.

To-day, the moving spirit behind the Grain Terminal

Association is M. W. Thatcher, a public accountant, who became interested in the Union while auditing the affairs of the Association's predecessor, the Equity Co-operative Exchange. He represented the Union in Washington for seven years, and in 1938 organised the Association with \$30,000 in cash invested by Union members and \$300,000 borrowed money. He is one of the two strong figures of the Union.

The other is the man under whom, on the political front, it has in the past two years intensified its efforts on behalf of the small "family-type" farmer: a big, smiling, boyish-looking, 41-year-old Coloradoan named James George Patton. He was born in a Farmers' Union family and has worked for the Union practically all his mature life, becoming its national president in 1941.

The Union's most recent political battle in Washington has been to save the Farm Security Administration, created some eight years ago as a successor to the Resettlement Administration, with the purpose of lending money to small farmers and farm tenants, and giving them other aids by which to become self-supporting. The American Farm Bureau Federation has fought the FSA as useless and expensive, and on this and many other questions the Union and the Bureau have clashed head-on.

The Farm Bureau Federation was founded in 1919, or, rather, it grew out of the county farm bureaux which had been voluntarily organised in many states, and which had paid part of the expenses of county agricultural or extension agents. State bureaux were organised, and with the national organisation added as a keystone the Bureau was powerful from the start. It has had a potent voice in Washington in the last twenty years, has shaped much of the farm legislation, and has been exceedingly strong within the Department of Agriculture, especially on such matters as the Agricultural Adjustment Administration legislation, and the soil conservation measures passed when the AAA was struck down by the Supreme Court.

The Farmers' Union charges that the Bureau has always favoured the "big" or master farmer as against the little farmer and the farm tenant; and that the AAA type of legislation, based on the philosophy of scarcity (i.e., the holding down of production in order to get a better price), with the Government benefits therefrom based on acreage and production, penalises the small farmer on the small

family-type farm as against the big farm operator and the absentee landlord.

The Union also claims that the Bureau is improperly close to the county extension agent system—most rural counties have an expert who aids the farmers in all possible ways and is paid from state and federal funds—and has used agents as recruiters; and that it has influenced the publicly supported land grant colleges, which teach agriculture and the mechanical arts, to the advantage of the "master farmer" and to the neglect of the small man.

Latterly, the differences between the organisations have widened to economic and political matters outside the field of agricultural interests. The Union under Patton has co-operated with organised labour and sought to help it fight its battles. (For instance, Patton appealed to the President to veto the Anti-Strike Act.) The Union frankly hopes for the day when farm produce, prepared and packaged by farm co-operatives, will be sold to consumers by labour co-operatives, thus entirely by-passing the private profit system. The Bureau, on the other hand, has been indifferent to the claims of organised labour or openly hostile to them; it tends to regard farmers as capitalists with interests antagonistic to those of labour.

Moreover, the two organisations are now split on support of the Roosevelt Administration. When the Bureau turned against the Administration some two or three years ago, the Administration in turn began to play up the Union as its friend in the farm-organisation field. Mr Patton was named a member of the Advisory Committee of the National Youth Administration, a member of the Economic Stabilisation Board, and a member of the Advisory Committee of the Manpower Commission. He has been one of the very few national farm leaders who have not joined in the struggle to get higher farm prices, through various measures in Congress; instead he has specifically supported the President's opposition to such prices—provided the stabilisation line is held all along and the general cost of living does not go up. He has wryly said that, because of this, the impression is abroad that the Union is a sort of "Administration company union." Some critics within and without the Union, comparing its gain with those of the Farm Bureau, have felt that it might have received more had it, also, been a little less bound to the Administration. But the Union is growing, and its members are apparently satisfied.

Interracial Adjustment in the South

(From a Correspondent in Virginia)

(The meeting described in the attached article took place while headlines were announcing race riots in several Southern shipbuilding centres and at Detroit. These flare-ups were in part expressions of economic competition, both for jobs and for off-work facilities; in part, they were expressions of social attitudes with a long history, transplanted, in the case of Detroit, by immigration from their area of origin. Immediate steps on the scenes of the disturbances, both North and South, will obviously be taken now to ensure continued war production, but the most important solvent of the problem, over the long run, is likely to be constructive measures, undertaken under Southern auspices in the South, such as proposed in the letter below.)

Richmond, June 28th.

ONE of the most significant developments in the history of interracial relations in the Southern States took place recently, when white and coloured leaders from those States met in Richmond, Virginia, the former capital of the Confederacy, and framed a programme for future collaboration and progress. Nothing exactly like it had ever happened before in this country.

The Richmond session was the outgrowth of two others. The first, at Durham, North Carolina, took place last October, and was attended by negroes only. They were the most distinguished negroes in the South—college presidents, professional and business men, newspaper editors and publishers, etc. This group of leaders produced an able statement entitled "A Basis for Interracial Co-operation and Development in the South." The statement was quite comprehensive, and went into considerable detail. It

set forth the things to which its framers felt the coloured citizens of the South could legitimately aspire. It listed objectives in the spheres of political and civil rights, industry and labour, service occupations, education, agriculture, military service, social welfare and health.

The population of the South is approximately one-third coloured. Its 10 million coloured citizens are the descendants of the slaves who were freed in the Civil War of the 1860's. They have made remarkable progress in almost every direction, but for many years there was a limit to the ability of the beaten and bankrupt South to offer them adequate opportunities for development. The victorious North made matters far more difficult by putting the over the defeated white ex-Confederates. The orgy euphemistically termed "Reconstruction" was the result. It ill-feeling between the races which had been engendered thereby.

Such is the background for the Durham statement framed by the South's coloured leaders. The statement was received with the utmost cordiality throughout the United States. The point was frequently made by commentators that the objectives it set forth should be realised as promptly as possible. There was scarcely a dissenting voice in the editorials which appeared all over the country.

Southern white leaders decided that so well-tempered and reasonable a manifesto deserved a formal reply. It seemed only proper that they should hold out the hand of fellowship to coloured citizens who had virtually invited such action. So the white leaders assembled in Atlanta, Georgia, in April and formulated their answer. It was at

once a gesture of friendship and a challenge to other whites to join with them in building a new and more harmonious era of race relations.

These two declarations were framed in an atmosphere unlike that which prevails in normal times. The slogans engendered by the war, the "four freedoms" proclaimed by Allied leaders, had caused many negroes, both North and South, to realise that they do not yet enjoy a complete equality of opportunity with white Americans. They began as unlettered ex-slaves 78 years ago, following the close of the Civil War, and it is not surprising that they have yet to reach their goals in all respects. At the same time, it also is not surprising that they should be aware of their disabilities in a war for democracy.

So it was partly with a view to allaying this feeling that the Durham and Atlanta conferences were held. After the latter gathering was over, the logical next step seemed to be a joint parley of picked representatives from the two racial groups, for the purpose of uniting on a set of objectives and framing a course for the future. These purposes crystallised at the Richmond meeting.

Thirty-three members from each race attended. Complete harmony prevailed, and there was an obvious and earnest effort on the part of both whites and negroes to produce a constructive statement and programme. The presiding officer for the gathering was P. B. Young, one of the South's foremost coloured citizens, editor and publisher of the Norfolk, Virginia, *Journal and Guide*, an ably edited weekly newspaper for negroes. All the white delegates were glad for Mr Young to serve as chairman, and their confidence in his impartiality and goodwill was fully justified.

After an all-day session, the gathering adopted a strong statement by a unanimous vote. This declaration was drafted by a committee of which Dr Howard W. Odum, distinguished white sociologist of the University of North Carolina, was chairman. It called the existing situation "a rare challenge to the leadership of the South: to the white leadership to find new ways of co-operation and to justify increased confidence of the negro leadership in the white South; to the negro leadership, to sense the difficulties involved and to meet increasing demands, without slowing down their essential efforts." It urged "the general adaptation of the Durham statement," and asked that negroes be given fairer opportunities in the various fields covered by that statement.

Especially important was the provision for setting up a "joint continuing committee" from both racial groups, charged with "affirmative action" and the "responsibility for working out methods and practical means of approach." This joint committee will meet in Atlanta on August 4th-5th. At this meeting it is expected that a permanent organisation will be established, with a chairman for each group, and biracial sub-committees assigned to work on specific phases of the problem. So this movement is no flash in the pan; it has strong possibilities for the future. There is a genuine determination on the part of those concerned to produce results and to raise living standards for the ten million Southern negroes, as well as to promote better relations between them and the whites.

It would not be at all accurate, however, to say that the negro problem exists only in the Southern States. While about three-fourths of the coloured people still reside there, several Northern cities have huge concentrations of them. Indeed, New York, Chicago, Philadelphia, Baltimore and Washington each have more coloured citizens than any city in the South. In such northern centres as these, there is a race problem of important proportions.

The chief difference between the treatment they receive there and that accorded them in the South is to be found in their greater exercise of the franchise, and in the partial lack of segregation of the races in schools and colleges, in restaurants and on transportation lines. While the negroes constitute only a small minority in any Northern or Western State, they vote in large numbers, and they hold the balance of power in close elections. Political leaders there often appeal to the coloured vote. In the South, on the contrary, where they have virtually 50 per cent of the population in one State, and from 25 to 43 per cent in seven others, the negro is in much smaller proportion to the total poll. The race is still comparatively uneducated, and the bulk of its members are disfranchised by such devices as literacy tests and head taxes of from \$1 to \$2 per year, devices which also eliminate many whites. Memories of Reconstruction under negro rule, after the Civil War, are still alive in many Southern minds, which has something to do with the limitations on negro voting,



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 overseas wireless routes



"When the end comes, when victory is won, then history will begin to assess merit. We shall all of us be searching our conscience . . . We shall be discussing who succeeded and who failed . . . I have no doubt at all, when we come to discuss the part that Cable and Wireless has played, what the verdict of the nation will be—"Well done, thou good and faithful servant!"

COL. THE RT. HON.
OLIVER STANLEY,

*Secretary of State for the Colonies,
paid this tribute at a luncheon given
to the staff of Cable and Wireless
Ltd., on January 26th, 1943*



and also is not unrelated to the South's insistence upon the segregation of the races in public places.

The unfortunate thing about this segregation is that it results often in unfair discrimination. White Southerners in increasing numbers are coming to the realisation that if the system of segregation is to be maintained, it can never be justified unless facilities in the fields of education and transportation are equal for the two races. The white leaders who met in Atlanta and Richmond recently are determined to see that these conditions are remedied as promptly as possible.

It would not be fair to imply that the South's treatment of the negro is in all respects less equitable than that accorded him in other sections. For example, Mr Paul V. McNutt, then Federal Security Administrator, said in 1941 that prejudice against using negroes in defence industries was much worse in the North than in the South. It should also be borne in mind that since the population is from

one-fourth to nearly one-half coloured in most Southern states, the problem there is far more acute and difficult of final solution than in states where the number of negroes is so small as to be almost negligible. Some of the laws for the segregation of the races were framed with the thought in mind that the lack of such laws would tend to promote more intimate association, and hence inter-marriage, with ultimate interracial amalgamation. This may be an unsound thesis, but it is present in the thinking of many Southern legislators and their constituents.

Such, in general, is the interracial picture as it exists in the South to-day. It has its bright and dark spots, its areas of progress and its areas of reaction. But certainly there are reasons for believing that the movement, in general, is forward, and that the white and coloured leaders who have been addressing themselves intensively to the problem of late may expect to achieve important results in the coming years.

THE WORLD OVERSEAS

Post-War Thinking in Canada

(From Our Ottawa Correspondent)

July 16th

WHILE official Canadian opinion would deprecate the emergence of various blocs among nations in the construction of post-war world relations, and while informed Canadians oppose the principle of regionalism in the design of a post-war system, the lead in proposing international organisation on lines acceptable to smaller nations has been taken by the Canadian Government. The main principles of the Canadian proposal, presented to the House of Commons by the Prime Minister, Mr Mackenzie King, are twofold. Mr King proposed, first, that a continuing process of peace-making should be followed, that is, that a number of international institutions should be created to deal with specific problems, and that membership should be scaled according to the interests of various nations in such problems. Secondly, Mr King laid down the principle that membership in future world organisations should be based upon the functional principle of representation.

The statement of the Canadian Prime Minister is worth quoting. He said:

The strong bonds which have linked the United Nations into a working model of co-operation must be strengthened and developed for even greater use in the years of peace. The time is approaching when even before victory is won the concept of the United Nations will have to be embodied in some form of international organisation. On the one hand, authority in international affairs must not be concentrated exclusively in the largest powers. On the other, authority cannot be divided equally among all the thirty or more sovereign states that comprise the United Nations, or all effective authority will disappear.

A number of new international institutions are likely to be set up as a result of the war. In the view of the Government, effective representations on these bodies should neither be restricted to the largest states nor necessarily extended to all states. Representation should be determined upon a functional basis which will admit to full membership those countries, large or small, which have the greatest contribution to make to the particular object in question. In the world there are over sixty sovereign states. If they all have a nominally equal voice in international decisions, no effective decisions are likely to be taken. Some compromise must be found between the theoretical equality of states and the practical necessity of limiting representation on international bodies to a workable number. That compromise can be discovered, especially in economic matters, by the adoption of the functional principle of representation. That principle, in turn, is likely to find many new expressions in the gigantic task of liberation, restoration and reconstruction.

This is, as Ottawa sees it, a complete rejection of the process of peace-making after the last war, when the victorious nations gathered in Paris and installed, in the Versailles Treaty of 440 articles, the blueprint of a peace system which did not last long. The principle of functional representation, it is hoped, will be followed in drafting the structure of a permanent world organisation on food and

agriculture, now under way in Washington. As a result of the United Nations conference at Hot Springs, Virginia, an interim commission, summoned on the invitation of President Roosevelt, has been assigned to prepare a specific plan for permanent organisation and formulate a declaration to which member states of such an organisation would adhere.

Canadian Currency Plan

The new activity of the Canadian Government in international relations was demonstrated, a few days after Mr Mackenzie King's statement of principles, in the disclosure of a Canadian plan for an international exchange union. It was, as the Finance Minister, Mr Ilsley, said, "an integrated alternative draft proposal" based on the study by Canadian experts of the British and American plans for future currency stabilisation.

Examination of the Canadian proposal disclosed, however, that it was much more than an attempt to reconcile the British and American plans, that it, in fact, represented a definite smaller-nation viewpoint on world currency control. It would, for instance, provide for decisions by a simple majority, rather than a four-fifths majority as proposed by the White plan, except in changing the value of gold. It would provide more leeway in internal exchange policy than proposed in the Keynes plan, by extending the right to depreciate a national currency unilaterally to 10 per cent under emergency conditions, rather than five per cent as suggested in the British plan.

In devising an international unit, the Canadians followed the American proposal for an international unitas, though the Canadian description was merely "Unit." The proposed voting arrangement in the Canadian plan would dilute the voting power of bigger nations to some extent, while recognising the larger interests of great powers. The resources of the proposed union, under the Canadian plan, would be midway between the \$5,000 million fund suggested in the American plan and the operational scope limited only by international trade, suggested in the British plan; this latter, it is estimated, would be \$25,000 million. The Canadian figure was \$8,000 million, plus provision to increase all quotas if necessary by 50 per cent. The Canadian plan also suggested easier withdrawal on 30 days' notice rather than two years in the British plan or one year in the American plan.

From the example seen in Canada's action in entering directly into discussions of world currency stabilisation, it is evident that this country is prepared to discuss world organisation in fields in which Canadian interests are affected. This is, in essence, the meaning of the Canadian suggestion that the principle of functional representation be followed. It is important to notice that, in Canadian thinking along these lines, there has been no suggestion of regionalism, which many here regard as an extension of

isolationism. The memory is still fresh in Canada of the concept of western hemispheric defence that prevailed briefly in Washington in one stage of the transformation of American policy from isolationism to world participation.

At the same time, if effective decisions are to prevail in international relations in future, as the Prime Minister, Mr Mackenzie King, proposed, the lines upon which membership should be devised should be related to direct national economic interests, which in practice cannot be eliminated in any case.

Argentina's Trade and the War

[BY A CORRESPONDENT]

July 6th

WHILE the political course of the new Argentine Government remains uncertain, the country's economic outlook is clearer. Unless Argentina joins the United Nations as a belligerent, which at present appears unlikely, there will be hardly any change from recent economic trends. Shortage of shipping, together with export restrictions in Great Britain and the United States and the inflow of foreign capital, are the main basic factors that have determined Argentina's trade developments during the past two years. The shortage of shipping has set strict limits to Argentina's quantitative exports and has thus created large surpluses of agricultural produce, with cereals ranking first. It has also adversely affected imports, although in 1942 the export limitations in the United States and Great Britain curtailed Argentina's imports of consumers' goods far more heavily than did the shipping position. As a result, the volume of imports into Argentina in 1942, compared with 1941, fell by 30 per cent, while the volume of exports from Argentina in the same period declined by only 15 per cent. In the first quarter of this year, the volume of imports was 46 per cent smaller than in 1942, whereas exports were only 19 per cent smaller. While exports from Argentina appear to be approaching rock bottom, Argentina's imports in the remainder of 1943 will almost certainly experience another serious setback as the United States and Canada, which have lately been responsible for over one-third of Argentina's imports, have introduced a stiff export limitation system from the beginning of April; under this, all general licences have been cancelled, and exports to Latin America are only allowed against certificates of necessity. The serious shortage of imported goods in Argentina, therefore, is likely to grow still more acute.

The fact that imports into Argentina have declined far more heavily than the country's exports has resulted in growing trade surpluses, which, in 1942, amounted to 509 million pesos, against 188 million in 1941, and will continue to increase as long as the present trade trends prevail. In the first quarter of 1943, the export surplus, at nearly 197 million pesos, was more than twice as high as in the same period of 1941. Since the United States' entry into the war, these growing export surpluses have been greatly enhanced by the influx of foreign funds, which sought refuge in neutral Argentina. Despite the fact that Argentina repaid large amounts of foreign debt and imported gold on a heavy scale, the country, according to the annual report of the Argentine Central Bank, recorded a favourable net balance on its international payments in 1942 amounting to 503 million pesos, compared with a favourable balance of 480 million pesos in 1941 and an adverse balance of 65 million pesos in 1940. The fact that, late last April, a control over floating foreign capital was introduced in Argentina seems to indicate that the influx of foreign capital, like the export surplus, is still increasing.

Cheap Government Borrowing

The liquidity of the capital market in Argentina, as a result of the large influx of money into the country, has stimulated both private and Government spending. The Government has been able to obtain large credits and loans at favourable rates (the latest Treasury bond issues carried 2½ per cent interest) out of which expensive agricultural surplus purchasing schemes and important public works programmes, which include irrigation work, ports improvements, improvements of the road and railway systems, sanitation work and military construction, have been financed. This Government spending brought much money to the public and, in particular, has greatly increased the pur-

chasing power of the vast agricultural community. As the extension of industrial facilities constitutes the main item of private investment in Argentina to-day, there is a steady growing supply of consumers' goods of domestic manufacture. According to estimates of the Argentine Ministry of Finance, the number of industrial workers in Argentina increased by 6.1 per cent last year, with mining (including oil production), papermaking and the production of china, glass and textiles, as well as food processing, showing the main increases. The value of production has risen, mainly owing to rising prices, even more than the industrial employment trends seem to indicate, and in 1942, according to the estimates of the Argentine Central Bank, reached about 7,000 million pesos or 20 per cent more than in 1941. The increase however, remains inadequate to meet minimum demands, with the result that the price level in Argentina for all products except some basic foodstuffs has risen at an alarming rate, thus causing considerable hardship in all non-commercial classes of the community.

Economic considerations do not appear to have played any part in the recent revolt, but the economic trend clearly gives food for thought to the new Argentine Government. Within his first four weeks in office, the new Minister of Finance, Dr Santamarina, has designed a policy for lowering the cost of living, which has been approved by the Cabinet. While expressly allowing "reasonable profits" to manufacturers, merchants and retailers, it provides for the fixing of strict maximum prices for all necessities. Simultaneously, the new Government, through its Minister of Finance, has declared its aim to be to reduce expenditure and thus its budget deficit and borrowings.

Some saving may, in fact, be achieved this year in the form of reduced agricultural surplus purchases. The new maize crop, officially estimated at 1,900,000 tons against 9,034,000 tons last year, is so small that there may be no surplus left to be bought up. Lower oats, barley and rye crops have been recorded. As long, however, as the country cannot import enough consumers' goods for its minimum needs from abroad or make up the import deficiency by domestic production, it is difficult to see how economic stability can be assured. A closer political alignment with the United Nations would probably not be of much help in solving Argentina's economic problems. It would not enable the country to import more from Great Britain and the United States. Entry into the war might, in fact, force the Argentine Government to utilise a larger part of its industrial capacity for war production instead of using it for the manufacture of much needed civilian supplies. Economic considerations, therefore, do not seem likely to lead Argentina into the United Nations camp.

Books Received

- Public Policy Pamphlet No 35. Chicago University. "Capitalistic Warmongers. A Modern Superstition." By W. Sulzbach. (London) Cambridge University Press. 35 pages. 1s. 6d. net.*
- Life-Saving Measures for Merchant Seamen in Time of War. Studies and Reports, Series P (Seamen), No. 4. 59 pages. (Montreal) International Labour Office. 35 cents. (London) P. S. King. 1s. 6d. net.*
- A Post-War Agricultural Policy for Great Britain. A Memorandum by a Group of Peers Holding varied Political Creeds. (London) Vacher and Sons, S.W.1. 16 pages. No price stated.*
- The Quest for German Blood. Policy of Germanization in Poland. (London) Polish Ministry of Information, Stratton House. 60 pages. 6d. net.*
- Commentary on Misconceptions Regarding Money and Bank Credit. By J. P. Colbert. (Dublin) Cahill and Co., Ltd. 131 pages. 5s. net.*
- Substitute Materials in War and Peace. By C. H. Desch. (London) Royal Institute of International Affairs, Chatham House, S.W.1. 28 pages. 9d. net.*

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

Germany at War

Transport Bottlenecks

THE Reichsbahn, Germany's state railway company, increased the length of line under its management from 34,100 miles in 1938 to 100,000 miles in 1941-2. The greatest density of traffic on the German-controlled network is reached in Belgium, the Rhine-Ruhr area and Western Germany, that is, within a radius (or bombing distance) of 400 miles from London.

Apart from the summary financial reports of the Reichsbahn and similar statements by railway companies in some of the occupied countries, all significant statistics about the activities of German transport have been suspended. The closest guide to the actual state of transport in Germany and Europe is the amazing number of decrees and plans which have been issued in the wake of several acute transport crises since the beginning of the war.

Reichsbahn receipts since 1938 have been as follows:

(In Million Reichsmark)			
	Passenger	Goods	Total
1938	1,432	3,356	5,134
1939	1,690	3,771	5,813
1940	2,430	4,720	7,603
1941	3,250	5,283	9,026
1942	4,033	5,186	9,797

It would be wrong to assume that these figures represent a corresponding increase in operations. There have been alterations in rates and great changes in the composition of the freight. The interest of the table of receipts lies in the changing ratio between passenger and goods receipts, and the fall in goods receipts in 1942.

Crisis to Crisis

As long as two years before the war Germany experienced a transport crisis. In the autumn of 1937 there was a shortage of locomotives and rolling stock caused by the neglect of the railways while large sums were being spent on motor-roads and waterways. A large scale programme of railway replacement and expansion was decided on in 1938, but it was interrupted by the war. For a time, depleted rolling stock was made up by equipment and even rails taken from all the countries of Europe. Most of the occupied countries were left with only half and sometimes only a third of their pre-war rolling stock.

This expansion by conquest came to an end during the war against Russia and the winter of 1941/42. Then came Germany's greatest railway transport crisis, aggravated by an exceptionally cold winter. The military situation was only saved by a ruthless reduction of the transport of foodstuffs and other goods for civilian consumption. The German railways have never recovered fully from this crisis. The manufacture of a special type of locomotive and goods wagon was included in Speer's armament programme in March, 1942; and in June, 1943, it was stated that, for the first time, the target set for the monthly output of locomotives had been reached. Current production of locomotives and rolling material must be well behind requirements, even if productive capacity in occupied countries is fully occupied. Inevitable wartime wastage and the loss of material in Russia was, and is, still great. At the same time, the railways of the Balkan countries can only be kept going by German supplies. For some time now the situation all over German Europe has become that railways are used without any regard to normal repairs and maintenance; and if an unusually large number of accidents is accepted, railways can, of course, be run for a remarkably long time without repairs. The destruction of locomotives, rolling stock and installations by bombing may not yet have outstripped the enemy's ability to make good the damage; but, coming on top of this already large accumulation of difficulties, its impact must be heavy and painful.

Germany's wartime transport is still dependent for the

major part on the railways. Before the war they accounted for roughly 70 per cent of total goods traffic. It can be assumed that during 1941 all the possible ways of increasing the railway's carrying capacity were exhausted. Every effort was then made to secure a quicker turn round of rolling stock, the elimination of unnecessary transport, and an increase of the load per truck. A quicker turn round is achieved either by fines or by premiums; it is now the responsibility of firms to load or discharge trucks on time. Special gangs of workers have been provided at most stations. This is mainly a problem of getting sufficient workers. Unessential transport is eliminated by shifting short-distance traffic to the roads and by creating transport zones for different classes of goods. Zones have been established for most foodstuffs, and for a considerable number of industrial materials, such as coal, building materials and textile goods. Where goods must be moved across several zones a zone-clearing system is attempted; a central department receives all orders and distributes them, without regard to former trade connections, according to the shortest distance from manufacturer to buyer. There is no way of finding out whether this move has been a success. Market restrictions and the effects of regimentation cause manufacturers and merchants to try to overcome shortages by buying wherever possible without regard to transport costs, and this scramble increased considerably after the beginning of the war.

Escape to Water

The solution favoured by the military planners was the shifting of the traffic of staple materials from the railways to the inland waterways. During the first year of the war, however, it was evident that there was hardly any change, although a number of new canals and locks had come into operation. During 1941 foodstuffs, fertilisers, ores, coal, timber and building material were diverted more and more to inland waterways. Water-borne transport of ores increased by 77 per cent, of timber by 33 per cent, of building material by 6 per cent and of coal by 20 per cent. It is reported that during 1942 there was a further increase. This transfer, which was gradually extended to mixed cargoes, soon created conditions in inland water transport similar to conditions on the overburdened railways. The bottleneck was simply shifted from rail to water. All the familiar measures had to be applied. First the turn round of barges had to be speeded up; secondly, loading and discharging facilities had to be improved. In some districts the transport of goods by rail is prohibited outright if the places of loading and discharge are ports on rivers or canals. Coastal shipping, particularly in the Baltic Sea, is used extensively for general goods, as well as for military transport, and on the North Sea fringe is open to effective Allied attack. Traffic on the Danube is greater than during the last war. Inland waterways can carry a considerable proportion of goods traffic. The system is well developed and there was no shortage of tonnage at the beginning of the war. During the war the number of barges has been increased by looting. But if the major canal viaducts and locks were destroyed by bombing, transport in vital areas would at once become dangerously congested.

The latest measure for coping with growing transport difficulties is the staggering of shipments over the seasons so as to ease the burden at peak-load periods. Industrialists have been told to distribute their consignments evenly over the whole year. This demands extremely careful planning and very efficient organisation; central and local authorities are working with Speer's transport commissars. But the lack of storage capacity is a serious practical obstacle to this staggering of traffic.

Cul de sac

The main feature of Germany's wartime transport position has been recurrent crises and bottlenecks. Each time the crisis has been met, or the bottleneck broken by shock methods. A totalitarian war economy can always direct plant, material and labour to threatened sectors without regard to costs. But the bottlenecks have never really been removed; they have simply shifted from one sector to another. And all the methods adopted, unsuccessfully, to remove them have entailed the use of disproportionately large numbers of workers in loading and discharging—and in planning and control. Over all has brooded, with growing menace, the ominous influence of British bombing.

THE BUSINESS WORLD

Price Control in Britain

THE test of successful price control in total war is to moderate rather than completely to avoid inflation; the achievement of complete price stability was in any case made impossible by the depreciation of the pound at the outbreak of war and by the consequent rise in the cost of imports. Compared with the last war, the rise in prices since 1939 has been appreciably less marked, whatever yardstick is employed for its measurement. This can be shown by comparing the movement of three indices, each of which is calculated on a similar basis for both periods:—

PRICE MOVEMENTS DURING THE PRESENT AND LAST WARS

	End of First War Year	End of Second War Year	End of Third War Year	End of 3½ War Years
Wholesale Prices (Statist) :—				
July, 1914=100	129	158	214	226
Aug. 1939=100	145	161	165	169
Cost of Living (Ministry of Labour) :—				
July, 1914=100	125	145	180	190
Aug. 1939=100	121	128	129	128
Weekly Wage Rates (Bowley) :—				
July, 1914=100	105-10	115-20	135-40	155-60(a)
Aug. 1939=100	113	121	130	132

(a) At the end of fourth war year the index stood at 175-80; it has been assumed that half the rise between the end of the third and fourth years took place in the first half of the year.

True, the three indices cover only part of the field. But at the end of the first 3½ years of the last war they were all well ahead of the advance registered during the same period of the present war. As the upward movement since last September has been small in wholesale prices and wage rates, with the cost-of-living index stationary, the disparity will be appreciably greater at the end of the fourth year of war.

The strategy and tactics of price control since 1939 have been empirical rather than systematic. The Government has, as it were, launched a frontal attack in two waves, first by restraining the increase in spendable incomes, and, secondly, by limiting private expenditure, supported by specific action to hold key points in the price structure. In other words, it has evolved a closely interrelated pattern of checks and balances with the object of restraining upward movements in prices rather than of freezing them at the pre-war level. The object of this article is not so much to describe the details of price control—these are well known—as to give a rounded picture of the pattern and to emphasise the complementary nature of the various lines of approach.

Broadly, the Government has limited the expansion in the volume of spendable incomes in the hands of the public and of business firms by restraining, but not entirely prohibiting, rises in wage rates and distributable profits, and by a drastic increase in direct personal and business taxation, as well as in indirect taxes on unessential goods and services. Nothing has been done to prohibit the rise in gross business profits, but the excess above the pre-war level has been effectively skimmed off by the imposition of EPT at 100 per cent, subject to a rebate of 20 per cent less tax after the war. Like gross profits, wage rates have not been frozen at the pre-war level, but their advance has been restrained by various devices, such as the stabilisation of the official cost of living index in 1941 and the maintenance of the slowly-operating machinery of collective bargaining, reinforced by compulsory arbitration. Enquiries carried out by the Ministry of Labour show that average rates of wages for a normal working week rose by only 26½ per cent between October, 1938, and January, 1943. True, average earnings advanced by as much as 65 per cent during this period; but the disparity is due entirely to longer hours of work, the movement of workers from low-paid jobs into the more

highly-paid munitions industries, and to an increase in the output of workers on piece rates. Much the greater part of the advance in the weekly earnings of workers has, in fact, been due to special causes which would have operated even if wage rates had been frozen at pre-war levels. Unlike profits, the earnings of individuals have not been made subject to an excess income tax; but higher earnings have been an incentive to higher output and may be regarded as the price of industrial peace. In any case, the sharp increases in the rate of income tax, the extension of its scope to the lower income groups, the burden of indirect taxes and the steady pressure of the savings campaign have all combined to make the rise in potentially spendable incomes much smaller than in gross incomes.

The measures taken to curb the rise in spendable incomes have been supplemented by others, designed to restrain private expenditure on consumption, chiefly by means of rationing the supplies of essential goods and services—which also made for equality of distribution—and by sustained savings campaigns. Those devices have had the effect of lessening still further the upward pressure upon prices.

The combined effect of both sets of measures is brought out in the following table, based on the Government's White Paper on the National Income and Expenditure:—

PERSONAL INCOMES AND OUTLAY

	(£ millions)	1938	1942
Personal income		4,661	6,896
Spent on :—			
Taxes		908	1,986
Savings		134	891
Consumption		3,619	4,019

Aggregate personal incomes show a rise of nearly 50 per cent, but a substantial part of the increase—perhaps as much as two-fifths—is due to higher production. The net increase in expenditure on consumption, at 11 per cent, has been comparatively small.

The general restraints upon the growth of incomes and upon private expenditure have been strongly reinforced by devices designed to limit, or prevent, the rise in the prices of specific goods and services. In discussing the Government's policy under this heading a distinction may usefully be drawn between goods and services purchased by the Government, on the one hand, and by the public, on the other hand. In its own purchases, the Government has always held that the Excess Profits Tax, while skimming off profits in excess of pre-war earnings, should be accompanied by an efficient contract system in order to keep down costs and avoid waste. Its policy was restated by the Treasury in June, 1942:

EPT . . . is to be regarded not as the instrument which was designed itself to provide a general standard of fair and reasonable profit in Government contracts, but as a reserve measure concerned with increased profits generally during the war. . . . If, however, the price of stores supplied to the Government were uncontrolled, except for the automatic operation of EPT, there would be no effective deterrent to unwarranted rises in costs of whatever kind. The machinery of the Inland Revenue is not intended, nor is it adapted in the same way as the machinery of the contracting departments, to analyse costs of production and check unnecessary expenditure; nor would it reveal, as investigation by contracting departments can reveal, the existence of uneconomic or wasteful methods of production.

In sum, since competition cannot fulfil its normal function of assuring efficiency in production in time of war, the Government has fallen back on a careful system of costing with the aim of discouraging extravagance in the use of the scarce resources without stifling initiative. During the early stages of the war, contracting Departments were handicapped by lack of data and experience, but they have carried out their task with an increasing degree of success. Interesting experiments have been made to keep down costs, as,

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,
E269, TUITION HOUSE, London, S.W.19.

for example, in the iron and steel industry, where high-cost producers are subsidised from a compensation fund raised by a levy on the output of ingots.

Different methods had to be used for the control of the prices of the things purchased by the public. Broadly, the Government has steadily extended price control until it covers virtually all goods and all essential personal and household goods. Control is exercised from the raw material—whether home-produced or imported—to the finished article in the shop, generally by way of maximum prices or profit margins. In order to implement its policy of stabilising the official cost of living index, the Government subsidises the prices of many foodstuffs, but essential personal and household goods are normally sold to the consumer on a cost basis. Luxuries, as well as many "conventional necessities" have, quite justifiably, been allowed to find their own level; their prices are, in fact, increased by heavy indirect duties.

Thus, in brief outline, is the pattern of checks and balances evolved by the Government to restrain the rise in prices.

Business Notes

More Investment

The past week has brought to the stock market a sharper rise in industrial equities and a greater expansion in turnover—but not in the number of bargains received—than its predecessor. A good deal of the business is almost certainly buying in the hope of reaping a profit in the comparatively short run, but there is a new class of adherent to those exercising a genuine investment demand. This is the timid investor who can seldom be persuaded to take a risk and who, consequently, tends to buy at or near the top of the rise. These appear to have been sufficiently impressed by the change of regime in Italy to place their money in securities which have a post-war attraction, but it is symptomatic that they have frequently been able to secure what they require without causing any great rise in price. It is also interesting to note that, for what it is worth, the increase in bargains received is by no means always greatest in those sections of the market which show the sharpest improvement in quotations. This lends some support to the suggestion, advanced last week, that there were substantial sellers waiting for a rise. There is little doubt that some heavy books have been lightened during the past few days. Many of these sellers are, however, institutions which are not likely to keep large funds in cash for long. If the investor remains "on the feed," there may be considerable further rises in post-war favourites, with a modest decline in some other sections. The authorities, however, are not disposed to leave the field to existing securities, and a new savings drive is to be launched immediately, to run for some three months. It seems that the new drive is to be directed more to individuals and less to institutions, and, if that is so, it may bring fewer of those temporary disturbances to the markets that were a marked feature of the Wings for Victory campaign.

South Africa's Capital Autarky

Cabled reports of the annual address of the Governor of the Reserve Bank of South Africa to stockholders gave prominence to the plea of Mr Postmuss for the greater self-sufficiency of the South African capital market. He reminded leaders of mining houses of his earlier request that, when considering the development of new mines or the extension of existing mines, they should explore the possibility of raising local capital instead of waiting for the London market to be opened to them.

To-day (he added), I feel justified in extending this request to all other concerns which put before the public new undertakings which are both economically justified and financially sound. I am sure the Treasury will raise no objection to some flotation of capital, knowing as it does that its own requirements under all circumstances will be easily met.

There are abundant capital resources in the South African market, and the trend of the South African balance of payments since the outbreak of the war has been such as to render the further import of capital not merely unnecessary but positively injurious to the economy of the Union. Thanks, largely, to the increased price of gold, the

It illustrates the complementarity of the general measure designed to limit the pressure of purchasing power upon a dwindling supply of goods and services and of the devices designed to prevent, or slow down, the rise in the cost of specific groups of commodities and services. To suggest even now—as M. Kalecki does in an article in the *Bulletin* of the Institute of Statistics for April 24th—that the fight against inflation is being waged not by the Treasury but by the Ministry of Food and the Board of Trade, and that, in the ration book, they have at their disposal the most effective weapon, is equivalent to arguing that because the aeroplane and the tank have been the most effective weapons for some purposes the rest can be scrapped. In the conditions of total war, provided public opinion is not suppressed or the search for equity abandoned, no one measure or set of devices can be pushed far enough to accomplish the object by itself. Only a concerted advance on all fronts has a chance of success. The degree of success attained by the British Government's policy is not complete; but in all the circumstances it is adequate.

Union during the war has balanced its current international payments account; repaid over £80 millions of sterling debt; repatriated South African mining and other shares to an amount probably exceeding £50 millions; and, in addition, added some £82 millions, at current market price, to the Reserve Bank's gold reserve. The case for discouraging South African enterprises from raising capital outside the country is, therefore, an exceptionally strong one. But the position is complicated by the fact that most of the developing mines, which in due course will require additional capital, are partly owned by shareholders in the United Kingdom, and that since new issues of capital are usually made on bonus terms, these external shareholders would be deprived of valuable rights if the South African capital market were to become an entirely closed and self-sufficient unit. The principle of discrimination which this would involve has already received its precedent in the case of South Africa by the imposition in the Budget of 1942 of a special tax on interest and dividends paid to non-resident holders of South African securities. This tax was imposed not for its revenue-producing attributes, but in order to accelerate the repatriation of South African capital held outside the Union. Given the conditions which exist in the South African capital market, with its abundance of resources and paucity of demand, any requirements that make an appearance will naturally be satisfied in the local market, for the obvious reason that it will offer better terms than could be obtained elsewhere. It will not be necessary to institute a rigid autarky of the capital market to achieve this objective. But it should be made clear beyond all doubt that there is no intention of depriving non-resident shareholders of their rights to participate in increases of capital by existing ventures or in the flotation of subsidiaries.

Floating Debt Policy

An interesting stage has been reached in the floating debt position. This week, for the first time since the weekly tenders for Treasury bills were raised to £90 millions last April, the maturities have equalled payments for new bills. Over the past three months the amount of Treasury bills issued through the tender has risen from £990 million to £1,170 million, this last figure being the product of 13 consecutive weekly issues of £90 million. The question which has to be decided by the authorities now is whether the tender issue of Treasury bills is to be temporarily stabilised at this new level—as it has been stabilised at lower figures for considerable periods since the outbreak of the war—or whether this element in the floating debt is to remain elastic. The fact that the bills to be taken up next week will again amount to £90 million, and thus be equal to the corresponding maturities seems to suggest that the authorities intend to leave the issue stable for a time. But the present period hardly provides an adequate test of floating debt policy since the Exchequer is sufficiently flush with funds, owing mainly to the heavy seasonal income-tax collections, to dispense with floating debt borrowing. Thus this week no Treasury Deposit Receipt call was made on

the banks, and, as there were no TDR maturities, there was no net borrowing under this head. It is only after the end of the present short period of stability in the floating debt issued to the market that the real test of the authorities' intentions will come. The latest phase of expansion in the tender issue of Treasury bills was clearly meant to raise the amount of bills available for the banking system. It synchronised with a considerable increase in the capital resources of the discount market, on the basis of which the market syndicate's global tender for bills has been duly adjusted. Even assuming that the weekly applications from the market have amounted to no more than the amount of bills on offer, the average allotment for the past thirteen weeks has been no less than 41 per cent., or some £37 million per week, compared with weekly allotments of £30 million in the corresponding period of last year. The banks have not during the past three months increased their purchases of bills from the market to an extent commensurate with the expansion in the tender issue, and the market is probably carrying rather bigger holdings than for some time past.

In Defence of Big Business

In contrast to the United States, whose anti-trust laws have engaged the public attention for 50 years, and where the Department of Justice is required by law to keep a lookout for any monopolistic practices, their growth in Great Britain during the inter-war years excited little comment, either by the public or the Government. It is only recently that the extent of such practices and their evil consequences have been revealed and widely condemned, and, in view of the secrecy in which many enterprises are shrouding their transactions, it is hardly surprising if some of the popular criticism has been misdirected. Lord McGowan, chairman of Imperial Chemical Industries, Ltd., who, in an article in the *Sunday Times* of July 25th, took up the defence of big business and international cartels—he calls them international trade agreements—in general, and of his company in particular, missed the point of the criticism. The apprehension voiced by members of both the Labour and Conservative Parties has been directed less at big business units as such than at monopolistic practices in all their guises, and, in particular, at what Mr Herbert Morrison called last April

the great assortment of cartels, price rings, federations, price-fixing combines and so forth . . . which have monopolised the control of their industry and its market, and are in a position to impose their terms of trade on their customers and on the community.

Large-scale business units as such have come under fire, not because they are large, but to the extent that they pursue restrictive policies when they succeed in establishing monopolies. A fully integrated concern has at least the opportunity to achieve the maximum of economies and pass them on to the consumer. The state would be right to insist on means of making certain that the big concern does its duty; to oppose it merely because it is big would be silly. The British chemical industry and market is probably dominated more strongly by ICI than is the industry in the United States by any single concern. Lord McGowan may be right in asserting that a strong British combine was necessary to

stand up to foreign combines which were threatening to divide the world, including Britain and the British Empire, among them.

But in the long run, and as a matter of principle, the existence of such combines can only be justified if they deliver the goods—that is, if they demonstrate their ability to keep pace with the industries in other countries in technical progress and economic efficiency, and if they do not have to rely for their bargaining strength abroad on Government aid for domestic restriction. Lord McGowan was undoubtedly right in recommending that

in future every international trade agreement should in Great Britain be duly communicated to and registered with the Board of Trade.

Indeed, "communication" and "registration" (both apparently *post facto*) are not enough. After all, "international trade agreements" are the business of the Government. If, in addition, ICI could give greater publicity (in peacetime) to the details of its activities, any unfounded charges made against it will fall to the ground.

Increasing Profits?

There is a suggestion in the latest industrial profits figures that three years of stable profits are about to give place to a period of rising earnings. The detailed returns relating to the accounts published in the second quarter of this year (which are given in the usual tables on pages 154-5 of this issue) show that 535 companies have increased their gross profits from £78.3 million to £78.9 million. This latest figure for the second quarter companies is nearly £4,000,000 higher than the gross profits earned by the same companies two years earlier, and within £2,000,000 of the total for the notional second quarter of 1940. These are modest changes in magnitude, but are they significant in direction? The answer is complicated by the necessary adjustments to the figures in order to smooth out the arbitrary transfer from carry forward to taxation reserve made by Cable and Wireless. Nor does the analysis of profits by industries (Table VI) show much consistency in the degree of improvement. Some industries (hotels, newspapers and textiles) report substantial increases in gross profits; but the consumption trades generally are static, and the armament and heavy industrial groups display an inconclusive trend. The improvement, if it is improvement and not a mere quarterly caprice, is evidently a very modest affair. Expressed in terms of accounting periods (as in Table II), 1,929 companies whose accounts are so far available achieved a 1.3 per cent increase in gross profits between 1941 and 1942. Nor is the movement reflected in the smoothed index figures in Tables III and IV. The gross profits index fell from 100.9 to 100.0 in the first quarter (both figures provisional) while the net profits index (based on figures as reported by the companies) showed a slight decline from 93.8 to 93.5 in the second quarter. It is true, as Table VI shows, that the reported net profits for second quarter companies are about £1,000,000 higher at £48.0 million, despite the further losses recorded by rubber companies; but this increase is probably due, mainly, to somewhat less austere policy in setting aside hidden reserves. Measured in terms both of gross and net profits, the latest quarter's results are not very impressive evidence that a change in direction of company earnings has set in; such changes as are shown seem to arise rather from slightly modified provisions for EPT and depreciation. Companies are not earning more profits, but their accountants have a clearer idea of the magnitude of necessary wartime reserves.

Workmen's Compensation

Some of the details of the Government's new Workmen's Compensation Bill were disclosed prematurely at last week's annual conference of the Mineworkers' Federation of Great Britain; the Bill has now been introduced in Parliament. Under it the liability for compensation remains entirely on employers, but the disability benefits are to take a different form. For example, compensation (other than for single persons for the first thirteen weeks of incapacity) is to be related partly to pre-accident earnings and partly also to marital state and family responsibilities. Among the new administrative principles introduced are a differentiation between benefits covered in the first thirteen weeks from those payable after that period; the granting of a supplementary allowance in respect of a wife; and the application of an over-riding maximum of 66½ per cent of pre-accident earnings in all cases, exception being made for low-paid workers who, under the existing law, are entitled to percentages up to 87½, and married men with children, in whose case the children's allowances may be added so long as they do not bring the total benefit beyond seven-eighths of earnings as at present. The proposed scale of benefits continues the maximum benefit of 35s. to single persons for the first thirteen weeks, but introduces a supplementary allowance of 5s. thereafter, thus raising the maximum from 35s. to 40s. A married man without children is to receive an additional benefit of 5s. in respect of his wife during the first thirteen weeks, and a further 10s. afterwards, thus raising the maximum from 35s. to 50s.; while a married man with children is to receive a flat rate of 5s. for each child instead of the present benefit of 4s. for the first two children and 3s. for each child thereafter. In fatal cases, the payment to the widow is to be £300, or three years' earnings, whichever is the larger, up to a maximum of £400, instead of the present maximum of £200 to £300; because of this increase the total compensation payable to a widow with dependent children is increased from £600 to £700. The following table illustrates the effect of the proposals in the case of a married man with two children:

PRESENT AND PROPOSED DISABILITY BENEFITS

Pre-Accident Earnings	First 13 Weeks Present*	Proposed	After 13 Weeks Present*	Proposed
50/-	38/-	43/4	38/-	43/4
60/-	43/-	50/-	43/-	50/-
70/-	43/-	50/-	43/-	57/8
80/-	43/-	50/-	43/-	60/-
90/-	43/-	50/-	43/-	60/-
100/-	43/-	50/-	43/-	60/-

* Inclusive of the supplementary allowances under the 1940 Act.

These increases, particularly the improvements in children's allowances, are welcome as far as they go. But there seems to be undue discrimination against the lower-paid single man, as in the first thirteen weeks of his incapacity he will receive no increase on the present rate; over three-quarters of the accidents in coalmining are of less than 13 weeks' duration. It is understood that the Miners' Federation are pressing for a further increase in the single man's rate, and also in the amount of the benefit for fatal accidents. The new Bill will meet some of the grievances in workmen's compensation, but it can only be regarded as a stop-gap measure. A fundamental overhaul of the legislation is still needed.

British Rayon Federation

On Wednesday, Mr Samuel Courtauld, president of the new British Rayon Federation—its constitution and functions were described on page 23 in *The Economist* of July 3rd—outlined a programme of study and research which, in his view, the Federation should undertake. At the head of the list, he placed the need for the industry to equip itself with the best types of machinery; to this end, he suggested a visit of experts to America to study machines and methods on the spot, and an examination of the financial aspect of replacements. He urged a careful study of markets at home and abroad, and the preparation of a "properly co-ordinated" export policy. Further, Mr Courtauld emphasised the importance of research, of improving the technical qualifications of the personnel of the rayon industry, and of securing the collaboration of workers with managers and employers. Mr Courtauld's programme of collective study is one which is not merely essential to the progress of the rayon industry, but one for which a trade association is eminently fitted.

Note Issue Profits

The Chancellor of the Exchequer has recently given further information on the profits on the note issue of the Bank of England. Before February 28, 1939, the net profits of the issue department were received by the Treasury and paid into the Exchequer, and consisted of the net income from the securities held by the department after taking account of any profit or loss on periodical revaluation. Since that date, under the Currency and Bank Notes Act, 1939, the assets of the issue department have been valued weekly, and transfers arising from such valuation have been made to and from the Exchange Equalisation Account; the income of the issue department has also been paid into the EEA. The sums transferred by the Issue Department in each of the past 10 financial years have been as follows:

Year to March 31			
1934	£ 2,660,000	1939	Nil
1935	2,754,848	1940	6,078,262
1936	1,448,000	1941	8,892,648
1937	985,000	1942	7,637,031
1938	Nil	1943	9,070,697

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1943, to shareholders of record at the close of business, August 13, 1943.

By Order of the Board,
Toronto, J. R. BRADFELD, Secretary.
July 21, 1943.

The sharp fall in the note issue profits in 1936-37 and their complete disappearance in the two subsequent financial years is probably due in large measure to the extent to which the note issue department, together with other public departments, was used to carry issues of Government stock made at prices higher than those prevailing in the market. These "underwriting" operations caused losses which are reflected in the above table. They were part of the price paid for supporting the gilt-edged market in that period. The later increase in these profits reflects the rise in gilt-edged values and the larger volume of securities held against the circulation—partly because securities have replaced the gold formerly held by the issue department, partly because the circulation has expanded.

Burnt Bank Notes

A large number of claims for Bank notes burnt or otherwise destroyed during air raids on this country have been lodged and met in the past three years. At one time, the special department of the Issue Office of the Bank of England, considering such claims, numbered as many as 50 employees. The treatment of claims in respect of lost or destroyed Bank notes falls under two types of subdivision. The first is for notes of £5 and over and for those of 10s. and £1. The second distinguishes between complete destruction or loss and partial destruction. Claims for 10s. and £1 notes that have been lost or wholly destroyed will under no circumstances be considered. Where such notes have been burnt, the amount which can be recognised from the ashes will be duly paid by the Bank. The task of recognition is usually a great deal easier in the case of ashes of notes of £5 and upwards, owing to the exceptional care taken with the printing and the quality of the paper. In no case will claims for lost or completely destroyed notes be considered if the number of the notes cannot be given. The claimant has to swear an affidavit, giving the exact circumstances of the loss or destruction of the notes, and must send it to the Bank with an indemnity from a bank or insurance company. Most insurance companies will readily grant such indemnities at a small premium, as they know that the Bank is unlikely to meet any claim for lost or destroyed notes until it is completely satisfied that the notes in question are most unlikely to turn up at a later date. Having completed these formalities, the claimant then has to wait for some time—it may be as long as five years. If at the end of that period the notes in question have not returned to the Bank, the claim will be met. Claims for partially destroyed notes depend wholly on the experts' analysis of the "remains." In some cases which occurred after the raids on London, the test of the fragments of notes sent in to the Bank actually resulted in payments of more than the amount claimed.

Unilever Stores EPT

The preliminary statements of Home and Colonial Stores, of Lipton and of Meadow Dairy had demonstrated that a substantial revision of the basis of EPT assessment had been secured. The full accounts and, in particular, Sir George Schuster's comments, make it clear that the change is due to the acceptance by the Inland Revenue of the company's claim that the payments made on account of goodwill, when acquiring subsidiaries, should be considered as capital ranking for EPT. It is evident that this is a matter which has to be decided afresh in each case, but there can be little doubt that value was given for goodwill in this instance. The company's claims were not admitted to the full, but, compared with the previously adopted profit standard, the concession means approximately £180,000 gross per annum to the group. The net taxed profit of Home and Colonial rose by £96,600 on the year, which made possible the resumption of dividends with a payment of 3 per cent. The accounts are dealt with on page 150. No credit has been taken in the accounts for 1942-43 for the adjustment of earlier appropriations, but the figures for 1941-42, given in the latest balance sheet, show considerable alterations from those originally published a year ago. The pre-tax profits of the group show a decline of, approximately, 15 per cent on the year. This is attributed by Sir George to two factors: the transfer of more and more articles to "points," and without any increase in the number of the latter.

process of rationing on the choice of shops by customers. Many of the group's stores are highly specialised and do not obtain some of the semi-luxuries whether on or off the ration. Since both non-rationed luxuries and many of the articles on points are given mainly, or solely, to registered customers, the latter naturally tend to gravitate to the general grocer rather than to the specialised stores of the group. This factor is, probably, without effect on net profit of the group for the time being, although it will affect the EPT refund, and Sir George has no doubt that, as conditions return to normal, the customers will come back to the group.

Deconcentration

The time has come for the preparation of a plan for "deconcentration" as part of a wider scheme of industrial demobilisation after the war. Mr Oliver Lyttelton, then President of the Board of Trade, announced the Government's industrial concentration policy on March 4, 1941, he made it clear that it was merely a temporary expedient, designed to economise labour and factory space, and that the Government would take all measures open to them to assist in restoring the *status quo* after the war. Since then nearly 3,000 establishments have been closed and some 250,000 workers set free for the Services or for work in other more vital industries. But the specific promise to assist in the reopening of establishments closed by concentration, a distinction has been made between them and factories which have been closed as a result of the curtailment of production or used for work other than that on which they were engaged before the war. True, in giving a specific undertaking to the former, the Government has accepted a special responsibility towards them, but in practice it can hardly divest itself of responsibility for the re-instatement of the latter. In other words, it will be difficult to draw a clear distinction between factories closed as a result of concentration and factories of the same industry transferred to war work or closed because of the reduction in output. If the production of the goods of peace could be resumed on anything like the pre-war scale immediately after the war, the difficulty would resolve itself. But, in practice, the resumption is likely to be gradual and it may often be impossible to provide work for all the closed factories at the same time. In some industries, there is likely to be a queue of factories waiting for the resumption of work. What is to be the order in that queue? This is a problem for the Government to solve.

ABP Developments

The report of Associated British Picture Corporation, which controls a very large proportion of the cinemas not included among the Rank interests, throws little light on the future of the group. The information about the reasons for the resignation of the chairman, Mr A. G. Allen, is largely negative. It is stated that it is not connected with any transfer of a major holding, that it involves no change of control or policy, and that the vacancy is not to be filled at the moment. In fact, the board have decided not to disclose what may lie behind the resignation, but they leave the shareholders with the impression that there is something behind it. The report reflects the sale of the holding in Metropolis and Bradford Trust in a fall in trade and sundry investments of £612,951 to £17,078. The money has been used to acquire the remaining shares in Union Cinemas, with the result that investments in subsidiaries are up by £1,215,368 to £3,415,835. In this connection, the board is considering an adjustment in the financial year of Union Cinemas to March 31st and the ultimate inclusion of its assets in the consolidated statement. Short of a complete transfer of all assets to the parent company, this procedure is to be recommended. The immediate outlook for the group appears excellent, and will be improved by the recent conversion of the debentures. Recent results are set out on page 150. On the important film production activities comment is restricted to the phrase that it has been maintained on a satisfactory basis.

Hudson's Bay Reserves

In view of Canada's great war effort, it is to be expected that both trading and industrial concerns operating in the

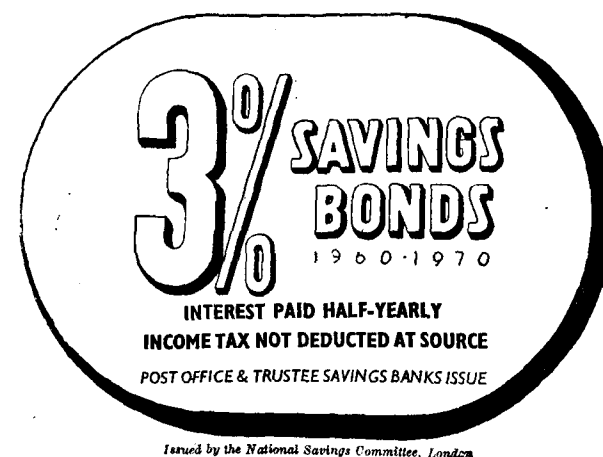
Dominion will earn increased gross incomes. The accounts of Hudson's Bay Company for the year to January 31st, which include results from the Fur Trading Districts for the season ended May, 1942, show a jump in trading profit before tax from £846,853 to £1,411,352; the net profit is the highest since before the war, and the amount earned for ordinary the best since 1937-38, owing to repayments of preference capital in the meantime. A further repayment of £200,000, or 10s. per share, is to be made this year. The ordinary dividend is raised by one point to 4 per cent, less tax, but, as the tax free payment from the land account is cut from 2 per cent to 1½ per cent, there is no immediate benefit to the proprietors. The most important development of the year is the freeing of certain earlier appropriations, probably as a result of the final settlement of the Canadian EPT standard. Reserves available for general purposes are increased on the year from £2,335,790 to £3,752,288, while depreciation account and provisions for replacements are reduced from £3,858,291 to £2,889,313. The way is now clear for the British EPT appeal and it is permissible to hope that provision in this respect will prove at least fully adequate. Three other points deserve mention. First, the investment in Job Brothers has been finally liquidated, with small loss to the company; secondly, despite the demand for agricultural products, there is no sign of a marked improvement in prices for West Canadian farmlands; finally, some of the company's liquor interests have been rearranged in the hope of maintaining the profitable business in whisky because supplies from Scotland are likely to be difficult for a number of years.

Utility Furniture

The demand for utility furniture has outrun the supply—largely because of the general approval of designs and the comparatively low prices at which the furniture is sold. As a result, it has become necessary to resort to the temporary suspension of the issue of permits. The scheme and the system of priorities adopted for the distribution of the furniture are praiseworthy. In a sense, the scheme has been too successful; the demand from the categories of persons eligible for buying permits appears to have exceeded the Board of Trade's expectations. Unfortunately, the issue of permits was started before production was under way. The Board of Trade appears to have fallen into the same error as other Government Departments early in the war when they issued buying permits for steel, for example, well in excess of the supplies available within a reasonable period. The solution must be sought in a better adjustment of supply and demand. The issue of permits should be limited to the amount of furniture which can be delivered within a reasonable and specified period which is adhered to. If supplies cannot be increased, or, at any rate, not appreciably—a decision with which one could hardly quarrel at this stage—the conditions in which permits are issued must be tightened.

The Rate for the Job

An important test case, which may have repercussions on the whole structure of engineering wages and the industry's negotiating machinery, is being heard in private this week in Glasgow by a court of inquiry under Lord Wark, appointed by the Minister of Labour. The dispute



concerns an aircraft factory near Glasgow, which employs 24,000 workers, of whom 15,000 are women, and where the proportion of skilled craftsmen is only 4½ per cent. The question at issue is whether or not these women are employed on work "hitherto performed by adult male labour," or on work "commonly performed by women," as defined in the Extended Employment of Women in Engineering Agreement of May, 1940 (the terms of which were described in *The Economist* on May 29, 1943). The claim of the Amalgamated Engineering Union, which is conducting the case on behalf of the workpeople, is that although women are doing jobs commonly regarded in the industry as men's jobs, working beside men, to the same time schedule for piecework on exactly the same jobs and therefore should come under the relevant clause of the Agreement, yet they are paid as if they were all unskilled, doing work commonly performed by women, and receive only the women's basic rate and bonus. Thus, a woman on a certain process which is doubled by a man receives a basic rate of 24s., plus a bonus of 27s. compared with the man's basic rate of 40s. and bonus of 33s. 6d. The case for the employers is that the factory concerned is a new one, and that the jobs have been broken down into simpler processes to such an extent that they can be performed by unskilled female labour. Dissatisfaction has been so great at the factory that the workers had given notice to strike, and sympathetic action had been threatened at an associated factory in the south. The dispute has gone through the normal negotiating machinery, and this Court of Inquiry was set up after the matter had been referred to the Ministry of Labour. It would be improper to pass any judgment before the Court's decision is known, but on the face of it if women are, in fact, employed on the same work as men, and under identical conditions, it is anomalous and unjust that they should not receive the same rate of pay as the men.

Natural and Synthetic Rubber

The future relation between natural and synthetic rubber on the world's market is exciting a good deal of interest. The overall demand for rubber can reasonably be expected to resume its expansion after the war. How far and on what basis is synthetic rubber to participate in the satisfaction of demand? The United States is at present engaged in the formidable task of building up a synthetic rubber industry large enough to take care—with such amounts of natural rubber as are still available—of the enormous requirements of the United Nations. After the defeat of Japan—provided the rubber "forests" in the countries now occupied by that country will still yield anything like the pre-war quantities—the combined productive capacity of natural and synthetic rubber must appreciably exceed world demand. One way of adjusting supply to demand would be to allow the two kinds of rubber to find their own production and price levels in competition. But this solution will hardly commend itself

either to the producers of natural rubber or to the Government of the United States, which will doubtless be anxious to maintain at least part of the synthetic rubber capacity after the war as a strategic reserve. Moreover, since the large-scale production of synthetic rubber in the United States has barely started, the possibility of surprises in the downward trend of costs cannot be overlooked. It is therefore probable that a solution of the problem of excess capacity may be sought by bringing synthetic rubber within the scope of the existing international rubber agreement. This may be the solution, provided a satisfactory formula can be devised for sharing the world market between natural and synthetic rubber, and provided the price of this essential raw material will be no higher than necessary to ensure efficient producers a reasonable return on their capital. But a world-wide rubber cartel could only be justified if it were operated by a body responsible to the Governments of the producing as well as the chief consuming countries.

Company Results

Associated British Picture Corporation:

	Years to March 31st		
	1941*	1942	1943
Group trading profit, less E.P.T.	1,427,157	1,579,550	1,510,445
Fees	3,921	5,957	5,214
Net interest	416,288	369,102	348,774
Depreciation and defd. repairs	286,885	223,411	223,411
Taxation	527,166	573,012	551,467
To outside shareholders	634	1,401	1,401
To A.B.P. Corp.	192,263	406,667	381,321
A.B.P.C. net profit	188,499	406,595	374,134
War Damage Insurance	—	30,000	15,000
Preference dividend	69,000	60,000	60,000
Earnings			
Paid on Ordinary	119,499	316,595	296,134
Paid on Preference	Nil	150,000	17,000
Earnings %	11.9	31.7	21.4
Paid %	Nil	15	1
General Reserve	100,000	100,000	120,000
Carry Forward	109,351	175,946	100,000
Consolidated Balance Sheet:			
Gross fixed assets	16,102,989	16,061,123	16,296,000
Net inter-company items	1,180,585	1,174,682	1,281,400
Less Depreciation	2,255,504	2,410,972	2,466,000
Net fixed assets and holdings	15,028,070	14,824,833	15,111,400
Net liquid assets†	Dr. 727,070	Dr. 1,163,749	Dr. 1,783,000
Mortgages, etc.	8,791,661	7,991,175	7,622,000
Reserves and surplus	1,469,154	1,635,715	1,668,000
* Figures from 1941 accounts.			
† Including £100,000 to cover premium on debentures repayable.			
‡ After deducting tax reserves. Apparent deterioration due, mainly, to debenture repayments.			
The 5s. units of ordinary stock, quoted at 15s. 6d., yield £5 1s. 6d. per cent.			

Home and Colonial Stores.—This company and its associates, of which the principal are Maypole and Meadow Dairy and Lipton, are associated with the Unilever group.

	Years to first Saturday in January		
	1941†	1942	1943
Group Results:			
Profit of year	—	1,259,249	1,037,594
E.P.T. and N.D.C.	—	846,460	432,350
Income tax	—	260,692	357,482
Payments outside group	—	72,545	72,807
Staff funds and War Damage	—	10,000	27,500
Added to surplus of subsidiaries	—	12,111	25,545
Net profit of parent	68,511	57,441	122,910
Preference dividends	90,626	90,626	90,626
Staff funds	17,000	17,000	16,000
War Damage Compensation	—	—	10,000
Earnings			
Paid on Ordinary	Dr. 39,115	Dr. 50,185	6,284
Paid on Preference	—	—	30,176
Carry forward	169,808	119,623	*126,864
Consolidated Statement:			
Net fixed assets	5,550,028	5,297,016	5,010,272
Net inter-company items	152,436	180,465	113,216
Net liquid assets	1,944,210	2,318,360	2,695,678
Reserves, less Goodwill	—	—	—
Gross liquid assets	795,559	942,690	998,411
	5,374,434	5,949,077	5,710,401
* After crediting £31,131 written back from reserves no longer required.			
† Includes £52,980, proceeds of sale of tea estates, held by trustees of Lipton debentures.			
‡ Accounts prepared on different basis and not strictly comparable as 1942 tax provisions have been adjusted, but not those of 1941, and certain other items have been reclassified.			

The 4s. ordinary shares of Home and Colonial Stores, standing at 6s. 10d., yield £1 15s. per cent on the 3 per cent distribution.

The following notes by the chairman accompanied the directors' report to be submitted at the ninth ordinary general meeting of the company.

The profit and loss account and the balance-sheet show the combined effect of three factors: (1) reduction of the company's fleet; (2) variations in the company's agreement with the Ministry of War Transport; and (3) a change in the depreciation policy. The latter two factors are directly connected. Up to this year, the depreciation policy had been that agreed with H.M. Treasury so far back as 1938. Now it has been agreed with the Ministry of War Transport at not less than 5 per cent. on the values which are the basis of the company's remuneration. The resulting figure, £1,196,162, has been employed to produce the balance-sheet item "ships at cost, less depreciation, £11,457,177."

In the balance-sheet, "ships replacement reserves" has been merged with the "general contingencies reserve" under the title "reserves for ships replacement and general contingencies." The combined figure is now £6,960,844. To-day it is not possible to forecast in what manner, or on what sort of ships, the company will need to spend money in order to re-create or maintain its trade, goodwill and revenue. New construction and reconstruction may be interchangeable; they may also have to wait on one another. For ton for ton replacement, insurance is inadequate. The company is in effect already carrying part of its own insurance, as on some ships it is not possible to obtain values to cover replacement. Post-war circumstances may render it advisable to extend this enforced practice into a deliberate policy. Advertising, organisation, and perhaps the Air factor, will need expenditure. Taking all things together, it seems better to bulk these reserves into the single heading.

As regards 1943, I can only write provisionally. Clearly, our revenue is determined by our ships in service. Any reduction in their numbers would reduce earnings, but would add to our capital resources. Our company was formed originally with a capital of £20,000,000, to correspond with the then income tax values of the ships. I see no reason why a £20,000,000 company should not earn and pay out £500,000; it is but a very modest return on the real money that went into it. We are doing this for 1942, and so far as 1943 has gone I see no special reason for alarm. But I would make no forecast; there are the imponderables, especially those of this war.

PERCY E. BATES,
Chairman.
14th July, 1943.

GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

The seventieth ordinary general meeting of the Globe Telegraph and Trust Company, Limited, was held, on the 28th instant, in London, Mr. F. Alexander Johnston (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: The income of the company, after deduction of income tax, was £196,026. The changes in the investments in which our company is interested during the year have been immaterial. In the uncertain conditions which at present obtain, and which will assuredly obtain when peace returns, we may, I hope, regard the picture with not unreasonable composure. The appreciation of investments over book value amounts to the large sum of £2,238,943.

We have been able to maintain our dividend at 5 per cent., tax free, and the carry forward to another year has been increased by £32,136. That has been due to the very satisfactory result of our auditors' negotiations with the Inland Revenue which has substituted a National Defence Contribution for our Excess Profits Tax liability. The report was adopted.

CUNARD WHITE STAR, LIMITED

PROFIT AND LOSS ACCOUNT

	1941	1942	s.	d.
Dr.				
Depreciation of Fleet	1,149,110	1,196,162	4	4
Depreciation of Plant, Machinery and Office Furniture	10,533	10,619	17	7
Directors' Fees	5,000	5,000	0	0
Auditors' Fees	2,750	2,750	0	0
Interest on £750,000 First Mortgage Debenture Stock (Working Capital)	21,144	—		
Interest on £1,000,000 First Mortgage Debenture Stock	28,192	—		
Interest on £2,500,000 First Mortgage (Second Series) Debenture Stock	30,205	—		
Reserve for Cash, Deposits and Balances in European Countries	1,856	233	13	0
	950,927	619,423	0	9
Balance—Profit for the year	£2,199,717	£1,834,188	15	8
Cr.				
Operating Profit and Interest after providing for Deferred Repairs	2,166,959	1,779,415	10	8
Interest on Investments	32,758	54,773	5	0
	£2,199,717	£1,834,188	15	8

BALANCE SHEET, 31st DECEMBER, 1942

	1941	1942	s.	d.
Share Capital:—				
Authorised and Issued:				
10,000,000 Ordinary Shares of £1 each, fully paid	10,000,000	10,000,000	0	0
Creditors Deferred Repairs and Open Voyage Accounts	3,126,402	3,269,786	15	11
Provision for Proposed Dividend	125,000	250,000	0	0
Ships Replacement Reserves	2,311,551	—		
General Contingencies Reserve	1,500,000	—		
Reserves for Ships Replacement and General Contingencies	—	6,960,844	19	7
Reserve for Cash, Deposits and Balances in European Countries	129,620	129,853	10	*9
Profit and Loss Account:				
Balance brought forward from last account	1,414,351	490,278	6	4
Add Balance for the Year	950,927	619,423	0	9
	2,365,278	1,109,701	7	1
Deduct amount transferred to General Contingencies Reserve	1,500,000	—		
	865,278	1,109,701	7	1
Deduct Dividend paid				
15th Dec., 1941 (nett)	250,000	—		
Dividend paid	—	—		
30th July, 1942 (nett)	125,000	—		
Dividend paid	—	—		
15th Dec., 1942 (nett)	—	250,000	0	0
	—	859,701	7	1
Deduct Proposed Div. (nett)	—	250,000	0	0
Carried forward to next acc.	490,278	609,701	7	1
	£17,682,851	£21,220,186	13	4

ASSETS

	1941	1942	s.	d.
Ships at Cost, Less Depreciation	13,589,260	11,457,177	0	0
Plant, Machinery, Office Furniture, etc., at Cost, less Depreciation	36,570	32,016	0	0
Investments in Government Stocks	500,000	6,000,000	0	0
Ships' Stores, Provisions, Wines, Linen, etc., certified by Officials of the Company	227,235	250,070	8	11
Debtors, Agents' Balances, Open Voyage Accounts and Deposits in U.S.A.	1,672,415	1,425,382	1	3
Cash, Deposits and Balances in European Countries	129,620	129,853	10	9
Cash at Bankers and in Hand	1,527,751	1,925,687	12	5
NOTE.—At the 31st December, 1942, contingent assets amounted to £1,740,100 available for ship-building under the terms of the "Government Tonnage Replacement Account Agreement 1940."				
PERCY E. BATES, } Directors.	£17,682,851	£21,220,186	13	4
F. A. BATES, }				

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the above Balance Sheet. We have obtained all the information and explanations we have required. In our opinion such 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.

LONDON, 14TH JULY, 1943.

COOPER BROTHERS & CO.,
CHARTERED ACCOUNTANTS. } Auditors.

GENERAL ELECTRIC COMPANY, LIMITED

CONSTANT EXPANSION

The annual general meeting of the General Electric Company, Limited, was held, on the 29th instant, in London, Mr A. H. Railing, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: My first duty is to refer to the grievous loss which our company has sustained through the death of Lord Hirst, who, as chairman, has presided over this meeting for 33 years and who has guided our company since its inception 56 years ago. We mourn in him a great man, an industrial leader who, with his team, built up a great national undertaking, a friend with deep human understanding and sympathy for all his co-workers. We who have worked with him for so many years shall ensure that his and our life's work stands—the mission of the G.E.C. as a national institution, a great and creative industry and a great and progressive employer.

Our profit and loss account shows that the profit, after providing for taxation, stands at £1,748,917 as compared with £1,725,137 last year, an increase of £23,780. After providing for depreciation and pension fund, we are left with a net profit of £1,195,741 against £1,180,946. We recommend a dividend of 10 per cent. and a bonus of 7½ per cent. on the ordinary stock, both less income tax.

HELP TO WAR EFFORT

Our company is at present engaged entirely on work essential for the prosecution of the war. We have done our utmost to respond to the many calls made upon us both to increase production in our own field and to meet the many new demands which have arisen. Our works, constantly expanding, have largely increased their output during the past year and still further increased their order book. Our research laboratories are engaged to their utmost limit on work of the highest national importance. The necessity to secure the greatest possible efficiency from management, staff, workpeople and machinery is fully realised. Every effort is made to attain it in a spirit of mutual understanding and co-operation.

We are mindful of the problems which will confront us after the war and of the important part which our company must be prepared to play in the post-war world. We are trying to plan for the time when the present catastrophe will have found its solution so that we may play the part which we owe to the nation and to ourselves both during the reconstruction period and afterwards. Some of the conditions cannot yet be clearly foreseen, as, for instance, the degree of international co-operation for the marketing and exchange of goods, the relative importance of replacing capital goods or providing consumers' goods immediately after the war, the spending power available for various countries and the measure of expansion allowed to various industries. It is self-evident that some clarification on these points will have to take place before definite decisions can be made.

LONG-TERM POLICY ESSENTIAL

One factor stands out clearly. Given a degree of security to plan for a period of years, there are unlimited possibilities in our industry to expand and provide employment. A long-term policy is the first essential. The Prime Minister pleaded in another sphere for a four-years' plan. We, as well, must be able to organise not on the basis of a yearly budget but for a much longer period. This alone will enable the management to plan on a comprehensive and far-sighted scale and thus assure continuity of employment, a reasonable return for the capital invested and an efficient and economic service for the nation and for the world.

The report was unanimously adopted.

THE METAL BOX COMPANY, LIMITED

DISTRIBUTION OF 17½ PER CENT.

MR ROBERT BARLOW'S REVIEW

The twenty-second annual ordinary general meeting of the Metal Box Company, Limited, was held, on the 29th instant, at the Connaught Rooms, Great Queen Street, London, W.C.

Mr Robert Barlow (chairman of the company) presided.

The secretary (Mr John Cartner) read the notice convening the meeting and the report of the auditors.

The chairman's review, which had been circulated with the report and accounts, and was taken as read, was as follows:

The work of the year covered by the accounts having made greater demands than ever upon the executive staffs and employees of the company's factories and offices at home and overseas, the board wishes me to express its thanks for the consistent hard work and loyal support given by all staffs and workers. The accounts now presented show an increase of £8,512 in the balance of profit available; the figure of £218,881 comparing with £210,369 a year ago. The debit in the profit and loss account of £250 for patent rights written off refers to those acquired during the year. No value is put on patents in the company's books.

RESERVES EXCEED £1,940,000

The board has this year resumed its practice of making an appropriation to reserves by transferring a further £100,000 to development and reorganisation reserve. This has had the effect of reducing the balance carried forward to next year in the parent company's accounts to £140,922. As will be seen from the consolidated balance-sheet, the total undivided profits and reserves now amount to £1,941,737. The reductions in stocks and debtors and in current liabilities have been made notwithstanding a further increase in turnover and have been brought about in the main by better collections and easier financial conditions.

It will be seen that the cash position has improved—bills payable have been reduced, and the bank overdraft of a year ago has been converted into a credit balance. Current assets now exceed current liabilities by over £2,500,000. Following our usual practice, expenditure on ARP and in respect of war damage premiums and contributions has been written off, and provision has been made for all taxation liabilities on profits to the date of the balance-sheet. An interim dividend of 5 per cent was paid on the ordinary stock on January 1, 1943, and your directors recommend, for the sixth year in succession, a final ordinary dividend of 10 per cent and a bonus of 2½ per cent.

FUTURE PROBLEMS

We regard consideration of the problems of the future as an immediate duty to be carried out without relaxation of our war effort, and with this in mind we have made the further transfer this year to development and reorganisation reserve.

Finally, we again send our greetings to the large number of our employees on active service with the Forces in many parts of the world who are so often in our thoughts.

The report and accounts were unanimously adopted.

A final ordinary dividend of 10 per cent (making 15 per cent for the year), together with a bonus of 2½ per cent, both less income-tax, was declared.

Mr H. W. Cramer and Mr F. W. Rankin were re-elected directors of the company, and the auditors (Messrs Hodgson, Harris and Co.) were reappointed; and a vote of thanks to the chairman, directors, staff and employees concluded the proceedings.

THE MINING TRUST, LIMITED

STRONG POSITION

The fourteenth ordinary general meeting of the Mining Trust, Limited, was held on the 27th instant, in London, Earl Castle Stewart, M.C. (the chairman), presiding. The following are extracts from the chairman's statement circulated with the report and accounts:

Profit after deduction of tax amounted to £56,432, which was applied to reducing the debit balance on income and expenditure account.

MOUNT ISA

Until April of this year Mount Isa continued to produce lead silver bullion and zinc concentrates, but latterly there has been a change-over to copper production. This change has been partly dictated by wartime needs for copper and in part by shortage of skilled operators and tradesmen. It is hoped that before long the authorities in Australia may be able to deal with the question of manpower satisfactorily and thereby enable Mount Isa to enter upon a period of full-time production of lead bullion, zinc concentrates and copper.

By a recent arrangement between Mount Isa Mines, Britannia Lead, and the Mining Trust, Limited, a capital repayment of \$800,000, on account of advances made to Mount Isa under an agreement of March 4, 1935, was made to the American Smelting and Refining Company.

OTHER INTERESTS

New Guinea Goldfields has not been operating its properties since the Japanese invasion early in 1942. The directors did not feel justified in recommending the payment of a dividend.

Gold-producing operations have also ceased at Big Bell, and are likely soon to cease at the mine of the Saudi Arabian Mining Syndicate.

The Britannia Lead Company has operated continuously and efficiently throughout the year, and although the production of lead bullion has temporarily ceased at Mount Isa, there are sufficient stocks of bullion to keep the plant in operation for some considerable time.

FINANCIAL POSITION

Cash at bankers at the end of the accounting year amounted to £384,264, being some £75,000 less than the corresponding figure for last year, but this decrease is more than accounted for by the increase in advances to subsidiary companies amounting to £158,500. Of these advances, £110,000 was loaned to Britannia Lead Company pending the realisation of 10,000 tons of Mount Isa lead silver bullion sold to Metals Reserve Company America. This loan was duly repaid January, 1943. A further amount of £48,500 was loaned to Britannia Lead Company under an arrangement by which the Mining Trust agrees to advance up to 90 per cent of the value of the silver content of Mount Isa bullion purchased by Britannia Lead f.o.b. Townsville. These advances, which were formerly arranged through ordinary banking channels, are fully secured and enable us to use a considerable portion of our liquid cash resources profitably. At to-day's date we hold £404,740 in cash, £40,000 in Government securities, and secured advances against silver to Britannia Lead Company amounting to £144,689. This makes a total of £589,429 in liquid resources.

In view of the restrictions on production at Mount Isa and the cessation of current operations at New Guinea, Western Australia and Saudi Arabia, your directors feel that for the present all cash and other liquid resources should be carefully conserved. However, the position of the Mining Trust is one of substantial strength, which has been considerably fortified by the repayment of \$800,000 owing by Mount Isa to the American Smelting and Refining Company.

The report and accounts were adopted.

July 31, 1943

CENTRAL MINING AND INVESTMENT CORPORATION, LIMITED

DIVIDEND MAINTAINED

STRONG LIQUID POSITION

The thirty-eighth ordinary general meeting of the Central Mining and Investment Corporation, Limited, will be held on August 5 at 1, London Wall Buildings, London, E.C.

The following is an extract from the statement by the Chairman (Sir R. Sothorn Holland, Bt.) circulated with the report and accounts:

The profit for 1942 amounted to £687,150, which is about the same as that of the previous year. There are some variations, however, in the items giving rise to this figure. It is arrived at after allocating £75,000 to inner reserves, compared with an allocation of £30,000 in 1941. Further, the amount received in dividends was rather less, but interest receipts and the net amount from share-dealing were higher, while on the debit side of the profit and loss account you will notice that general expenses showed a reduction. I should mention that the total of this item for 1942 was somewhat lower than what we regard as normal.

Your directors propose that the same dividend distribution be made as for the year 1941, and also that similar amounts as last year be placed to reserves. It is the policy of your board steadily to build up the corporation's reserves, including the investment reserve account established last year which is now carried under the heading of creditors in the balance-sheet. In this policy I am sure we shall have your complete approval.

BALANCE-SHEET ITEMS

The items in the balance-sheet show some changes compared with last year, arising out of the normal course of business, but there is no special point to which I think I need call your attention. A feature of the balance-sheet is the highly liquid state of the corporation's finances. This is a matter for satisfaction, but it also reflects the lack of opportunities for undertaking any major new business consequent on the control necessarily exercised in the national interests on new issues of capital. The necessity for the continuation of control during the war period is, of course, well understood. Your board, however, is not unmindful of the part that the corporation can play in constructive developments in the post-war period, and while no definite plans can be made, your board has the subject under consideration.

CONDITIONS IN SOUTH AFRICA

The effect of war conditions on industry in South Africa has in many respects been similar to that in this country. The call for man-power for the Services and war production has reduced both the white labour and native labour strength available for the gold mining industry. The industry has, indeed, been a reservoir of highly trained men, from which the country has been able to draw skilled technicians for the manufacture of munitions for the country's needs, apart from the men who are actually serving with the fighting forces. Manufacture has been carried out at mine workshops, and the industry has naturally been glad to provide all the facilities of which it is capable.

The supply of stores from overseas has presented a serious problem, but in this respect the tradition of co-operation which is characteristic of the gold mining industry, acting through the Transvaal Chamber of Mines, has contributed to the continuation of operations. Increased taxation has also been imposed. The combined effect of these factors is shown

in the tables in the directors' report, namely, a reduction in tonnage milled, in development footage, and in dividends. These results were to be anticipated. You will not need to be assured that constant attention is being devoted by the mining industry to meeting such difficulties as may arise in the conduct of operations and of overcoming them with, I hope, the success achieved up to the present.

OIL INTERESTS

As regards our oil interests, Trinidad Leaseholds declared a dividend of 15 per cent, the same as for the previous year. In Venezuela, the North Venezuelan Petroleum Company has elected to convert its concession to a 40-year concession under the new law recently enacted, and is now engaged on a geological re-examination of the concession area. The Mercedes Company, in which Ultramar Company, Limited, is largely interested, has proved by drilling the extension of the promising oil sands previously located. The corporation subscribed for its proportion of the new share capital recently issued.

With regard to the current year, our results in the aggregate are satisfactory, but I feel it would be unwise, in view of the uncertainty of the times to commit myself to any forecast at this stage.

GUEST KEEN AND NETTLEFOLDS, LIMITED

SIR SAMUEL BEALE'S STATEMENT

The ordinary general meeting of Guest Keen and Nettlefolds, Limited, was held, on the 28th instant, at the Queen's Hotel, Birmingham.

Sir Samuel R. Beale, K.B.E., chairman and managing director, presided.

The secretary (Mr E. C. Drake) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman, which has been circulated with the report and accounts for the year ended March 31, 1943, and was taken as read:

Within the restrictions imposed on the consumption of paper, it is not possible to do much more than assure you that the appended accounts show the results of another year of hard work by all concerned.

There have been no appointments to the board, but Mr J. H. Jolly has been appointed a deputy-chairman.

The board accepted an offer for the shares of the Santa Rosa Company. This company manufactured bolts and nuts and wood screws in Brazil. Your board have no doubt that in existing circumstances the acceptance of the offer received was in your best interests.

The accounts follow the usual form, but on this occasion the previous year's figures are given for comparison. I should like to say how much we appreciated the assurances given by the Chancellor of the Exchequer in his Budget speech of giving the most careful consideration to the incidence of war-time taxation on the stability and efficiency of industry, so that it may be able to adapt itself energetically to the problems of reconstruction.

It is with great pleasure that I again record our appreciation of the very fine contribution to national production by the management, staff and workpeople.

The report and accounts were adopted. The retiring directors—Mr Edmund L. Hann and Mr W. R. Lysaght—were re-elected and the auditors, Messrs Carter and Co., reappointed.

A vote of thanks to the chairman, directors and staff concluded the proceedings.

BARRY AND STAINES LINOLEUM, LIMITED

The ordinary general meeting of Barry and Staines Linoleum, Limited, was held, on the 28th instant, in London, Sir John N. Barran, Bt. (the Chairman) presided.

The following is an abridgment of the Chairman's statement, circulated with the Report and Accounts.

The profit for the year is £70,286, against £65,524 for 1941. This result, your directors venture to hope, is not unsatisfactory to you in view of my warning of last year against easy optimism. In securing it the proceeds of our Canadian investment and economies in our domestic administration, which are being carried further in the current year, have played their part. A rearrangement of our staffs has made for smoother and easier working. The deferment of an interim dividend was, in our view, a prudent act, and the dividend now proposed, though smaller than twelve months ago, has been entirely earned within the year under conditions in which you will approve our having placed National Service before profit-making. Were I at liberty to explain more fully, you would appreciate the peculiar difficulties which have stood in our way. In recommending it we keep steadily in view the anxieties, duties and opportunities which await us when the fighting ends. The ever-rising spiral of costs is bound to be a grave problem to every exporting industry; so will also be the questions of machinery, staffs and raw materials; we must be ready for them and for that purpose must husband our strength.

The year's figures have been arrived at after charging our usual full rates of depreciation. Following on the previous year's figures without any great variation, they explain themselves in the main and illustrate what I have already said. Our subscriptions to war appeals and allowances to our employees away on the country's service have continued.

CENTRAL COMMERCIAL PROPERTIES, LIMITED

INCREASED REVENUE

The fifteenth annual ordinary general meeting of the Central Commercial Properties, Limited, was held, on the 27th instant, in London.

Mr W. Stanley Edgson, F.S.I., F.A.I. (the chairman), said that shareholders would be gratified to see the upward trend of both the gross and net rental revenue, which was the acid test of their prosperity. To have raised the former to £96,600 and the latter to £76,454 was no mean achievement, particularly having regard to the number of properties destroyed by enemy action and the concessions granted to assist their tenants.

They were increasingly feeling the adverse effects of war-time legislation. War Damage Contribution for the year had amounted to £3,224 and as at present contemplated two further instalments would be due, bringing the total to some £42,000. Those sums had to be found in cash clear of tax and would prove a severe strain on their liquid resources. That annual contribution represented a tax-free dividend of no less than 5½ per cent. on their ordinary capital, or a capital levy equivalent to approximately 30 per cent.

One of the most gratifying features of the year had been the steady return to a pre-war standard of the capital value of shop property investments.

The conclusion of the moratorium had enabled them to consider the distribution of a dividend on the preference shares and, having regard to the satisfactory increase in the net revenue available, and the fact that throughout the moratorium sufficient revenue had been earned each year to meet the preference dividend, the directors had felt justified in recommending that one full year's dividend, for the year ending June 30, 1941, should be paid.

The report and accounts were unanimously adopted.

HARLAND AND WOLFF, LIMITED

ANNUAL MEETING

The fifty-eighth annual general meeting of Harland and Wolff, Limited, was held, on the 28th instant, at the Grand Central Hotel, Royal Avenue, Belfast.

Mr. C. J. G. Palmour, chairman of the company, presided.

The secretary, Mr. A. T. Marshall, having read the Notice convening the meeting and the report of the auditors, the chairman stated, as pointed out in the report of the directors, that he was unable under existing conditions to make any general review of the company's activities. He therefore formally moved the adoption of the report and accounts.

Sir Frederick Rebbeck seconded the resolution, which was carried unanimously.

The retiring directors, Mr. Atholl Blair, Mr. L. V. Dunlop, Mr. J. Morrison, Mr. F. V. Spark, and Mr. C. J. G. Palmour; also Sir John Craig, Mr. H. P. Harland, and Mr. F. G. Dunlop, who retired by rotation, were re-elected; and the auditors, Messrs Price, Waterhouse and Company, were reappointed.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943		Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
				30 Ord. shares*	20 Fixed Int.*
July 22.....		6,297	3,348	102-1	134-1
" 23.....		5,781	4,562	102-3	134-1
" 26.....		7,263	5,781	103-2	134-1
" 27.....		6,046	5,284	103-7	134-0
" 28.....		6,339	4,987	104-1	134-0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 104.1 (July 28), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.9 (July 2).

New York

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

1943	Low Jan. 6	High July 13	July 6 1943	July 13 1943	July 20 1943
37 Industrials.....	81.1	103.5	100.9	103.5	101.9
32 Rails.....	72.6	99.9	94.9	99.9	98.2
40 Utilities.....	67.9	88.8a	87.0	88.6	88.8
419 Stocks.....	78.5	100.9	98.4	100.9	99.6
Av. yield %.....	5.36	4.35	4.44	4.35	4.41

* 50 Common Stocks. (a) July 20.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
July 15.....	124.6	2,223,000	July 19.....	124.3	834,000
" 16.....	124.2	1,041,000	" 20.....	123.6	991,000
" 17.....	124.4	397,000+	" 21.....	123.7	765,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). + Two-hour session.

Capital Issues

Week ending July 31, 1943	Nominal Capital £	Con- versions £	New Money £
To Shareholders only.....	650,000	...	893,750
By Permission to Deal.....	53,260	...	53,260
Particulars of Government issues appear on page 156.			
Year†	Including Conversions	Excluding Conversions	
1943.....	1,094,946,378	1,078,210,720	
1942.....	932,957,863	919,295,049	

Destination* Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943.....	1,074,986,200	2,585,843	638,677	1,066,094,217	1,454,552	8,347,434
1942.....	918,890,587	349,272	55,199	912,516,668	707,076	5,887,265

* Conversions Excluded. † Includes Government issues to July 20, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Insurance Share Index.—The Economist index of insurance shares at June 30, 1943, with comparative figures at half-yearly intervals since the middle of 1941, is shown in the accompanying table. The index is compiled on the basis of an investment of £1,000 in each of 24 representative securities in 1913. After

an upward movement in the first two months of the year prices receded in March, but recovered again towards the end of the half-year, with the result that the index records an appreciation of nearly 4 per cent. This appreciation is fairly evenly spread over the various securities, 18 showing gains, four remaining unchanged, and only two registering declines. The slackness in Prudential shares is doubtless associated with the likely prejudicial effects of pending social legislation on the business of the company.

(1913=100)

Company	June 30, 1941	Dec. 31, 1941	June 30, 1942	Dec. 31, 1942	June 30, 1943
Alliance.....	1,554	1,848	1,806	1,995	1,995
Atlas.....	2,667	3,016	2,984	3,048	3,301
Caledonian.....	3,397	3,965	4,151	4,277	4,529
Commercial Union.....	2,939	3,320	3,531	3,646	3,646
Employers' Liability.....	2,252	2,486	2,522	2,567	2,613
Equity and Law.....	784	1,155	1,237	1,732	1,980
General Accident.....	8,833	11,000	11,333	13,666	14,000
Gresham Fire.....	2,381	2,857	2,857	3,095	3,238
Guardian.....	2,500	2,961	3,077	3,192	3,307
Legal & General.....	6,421	7,213	7,924	8,197	7,994
Life Assn. of Scotland.....	1,426	1,640	1,831	1,783	1,783
London & Lancashire.....	3,615	4,000	3,923	4,077	4,154
London Assurance.....	2,426	2,620	2,620	2,523	2,727
North British & Mercantile.....	1,493	4,777	4,713	4,904	4,968
Northern.....	1,421	1,731	1,761	1,851	2,089
Phoenix.....	1,798	2,182	1,624	1,793	1,911
Prudential.....	3,573	4,128	2,494	2,182	2,158
Royal Exchange.....	2,538	2,839	3,943	3,943	4,315
Royal.....	2,247	2,458	2,796	2,882	3,011
Scottish Life.....	2,366	2,625	2,958	2,640	2,640
Scottish Union & National.....	2,311	2,604	2,622	3,106	3,401
Sun Fire.....	2,217	2,519	2,418	2,755	2,844
Sun Life.....	2,525	3,041	3,092	3,195	3,453
Yorkshire.....	2,826	3,144	3,234	3,557	3,685

Industrial Profits

TABLE I
535 SECOND 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)
All interest.....	6,415	7.9	6,419	8.5
Preference divs.....	14,890	14.5	14,741	19.7
Equity divs.....	44,825	55.5	43,118	57.4
Sub-total.....	66,130	81.9	64,278	85.6
Free reserve and carry forward.....	13,300	16.5	9,146	12.9
Other savings.....	1,279	1.6	1,589	2.2
Profits before tax, after E.P.T.....	80,709	100	75,013	100
Per cent. of Year 3 preceding.....	100	92.7	97.0	97.7
Rate of tax applied in grossing up.....	7/6	10/-	10/-	10/-

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	...
" 2nd.....	581	...	...	...	59,002	31,121	31,746
" 3rd.....	249	...	...	...	...	...	...
2nd Quarter.....	425	39,068	39,151	38,025	39,491	38,411	...
" 3rd.....	408	...	...	...	38,192	3,078	3,006
" 4th.....	30	...	...	...	...	...	...
3rd Quarter.....	369	44,744	43,630	44,192	41,184	39,439	...
" 4th.....	339	...	...	...	40,539	...	...
4th Quarter.....	918	151,000	156,295	146,820	149,342	111,833	...
" 5th.....	601	...	...	...	110,342	...	...
Whole Year.....	2,317	301,221	301,076	294,625	289,752	251,447	...
" 1942.....	1,929	...	...	...	248,075	34,199	34,752
" 1943.....	279	...	...	...	...	...	...

TABLE III

INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS (Four Quarters; 1938=100. Geometric Basis) Based on Table II

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939.....	98.6	98.6	98.0	99.0
1940.....	101.4	100.6	101.6	99.2
1941.....	95.8	97.5	95.5	97.3
1942.....	100.7	100.0†	101.0†	100.9†
1943.....	100.0†	...	...	...

† Provisional.

TABLE IV

INDEX OF NET REPORTED PROFITS, OLD BASIS, BY DATES OF PUBLICATION (Revised Geometric Basis) (Four Quarters ended June; 1936=100)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939.....	129.3	125.2	124.4	121.6
1940.....	120.7	120.8	116.8	115.1
1941.....	112.9	104.7	101.0	98.6
1942.....	96.5	94.4	95.4	95.1
1943.....	93.8	93.5	...	...

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 V

DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL†

	Proportion of Gross Profits			Rate of Payment (Gross)			
	Pref. Div.	Ord. Div.	To Free Reserves	Deb.	Pref.	Earned on Ord.	Paid on Ord.
1941.....	%	%	%	%	%	%	%
1st quarter.....	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd ".....	23.4	65.9	10.7	4.6	6.8	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	13.9	10.0
1943.....							
1st quarter.....	18.3	60.3	21.4	4.7	6.2	18.5	13.5
2nd ".....	23.0	60.5	16.5	4.4	6.5	10.6	8.5

† 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's) New Basis		Reported Net Profits (£'000's) Old Basis	
		Preceding Year	Latest Year	Preceding Year	Latest Year
Financial, Land	38	6,361	6,422	3,496	3,712
Investment Trusts	58	5,576	5,520	2,409	2,388
Electric Supply	2	126	98	90	75
Gas	3	386	302	79	92
Hotels, Restaurants	10	1,198	1,571	967	1,132
Newspapers	17	4,087	4,435	2,450	2,692
Shipping	10	2,019	1,959	900	949
Telegraphs and Telephones	5	2,061	2,341	1,595	1,719
Tramway and Omnibus	8	1,265	1,291	1,021	1,065
Warehousing	4	191	306	116	203
Waterworks	4	232	259	165	176
Entertainments	8	734	751	233	278
Oil	5	5,492	5,521	3,821	3,914
Rubber	78	1,504	Dr. 1,093	797	Dr. 567
Tea	4	77	79	57	57
Breweries and Distilleries	19	4,907	4,837	2,619	2,660
Food, Confectionery, &c.	19	2,310	2,226	1,169	1,300
Shops and Stores	26	2,708	2,889	1,359	1,401
Textiles	16	3,257	3,628	2,357	2,449
Tobacco	4	1,064	1,062	1,009	1,008
Building Materials	25	1,936	1,948	1,048	1,143
Electrical Equipment	10	2,586	2,811	1,933	2,034
Coal	21	2,135	2,359	1,006	1,107
Iron and Steel	29	6,603	6,785	3,232	3,442
Motors and Cycles	12	1,700	1,581	823	907
Engineering	22	1,467	1,503	848	832
Other Companies	78	16,308	17,512	11,406	11,880
Totals	535	78,290	78,883	46,985	48,046

FINANCE AND BANKING

THE MONEY MARKET.—The pressure of heavy tax payments has made itself apparent on credit conditions this week and has been accentuated by the fact that some of the clearing banks have been making up for their July statements. The credit stringency had to be eased by special open market purchases of bills earlier in the week, and by Wednesday the position had eased appreciably. The Bank return shows the circulation to have risen by £12,127,000 to a new record of £968,116,000, and this

GOVERNMENT RETURNS

For the week ended July 24, 1943, total ordinary revenue was £56,183,000, against ordinary expenditure of £91,774,000. Thus, including sinking fund allocations of £2,975,958 the deficit accrued since April 1st is £1,060,646,000, against £920,706,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to July 24, 1942	April 1 to July 24, 1943	Week ended July 24, 1942	Week ended July 24, 1943
ORDINARY REVENUE					
Income Tax	117,500	179,456	219,411	14,147	19,090
Sur-tax	80,000	9,040	9,120	313	350
Estate, etc.	17,000	4,300	5,250	1,000	1,300
Duties	100,000	31,953	31,368	2,032	1,757
Stamps	17,000	4,300	5,250	1,000	1,300
N.D.C.	500,000	8,108	6,926	490	470
E.P.T.	500,000	78,426	128,464	6,460	13,050
Other Ind. Rev.	1,000	230	150	10	10
Total Ind. Rev.	187,300	311,513	400,689	24,442	36,027
Customs	525,320	138,691	162,578	6,057	6,937
Excise	450,180	110,500	131,000	8,200	10,900
Total Customs & Excise	975,500	249,191	293,578	14,257	17,837
Motor Duties	25,000	3,399	2,464	...	116
Canadian Govt. Contribution	...	116,051	...	4,494	...
P.O. (Net Receipts)	400	6,200	2,050	1,150	1,200
Wireless Licences	4,700	690	830	...	...
Crown Lands	800	360	240	110	...
Receipts from Sundry Loans	4,100	774	1,702	2	...
Miscellaneous Receipts	24,000	31,180	23,248	4,053	1,003
Total Ord. Rev.	290,750	719,359	720,701	48,508	56,183
SELF-BALANCING P.O. & Broadcast	110,632	30,600	34,450	1,200	1,450
Total	301,812	749,959	755,151	49,708	57,633

After increasing Exchequer balances by £367,799 to £3,052,023, the other operations for the week (no longer shown separately) raised the gross National Debt by £33,338,863 to £17,918 million.

(Continued from page 155)

United States. \$ (4.863) 4-024-031; mail transfers 4-024-032. Canada. \$ (4.863) 4-43-47; mail transfers 4-43-47. Switzerland. Francs 125-224. 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. \$ 4-02-04; (buying). Brazil. \$ 63-67 cr. (buying). Uruguay. \$ 6597 p.

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate). Turkey. Piastres 520. Italy. 71-25 lire, and July 30th.

Market Rates.—The following rates remained unchanged between July 24th and July 30th:

Egypt. Piastres (97½) 97½-8. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$3-3½. 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. Rate for payment into Argentine special account is 16-02 pesos (July 28).

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.

NET ISSUES (£ thousands)

P.O. and Telegraph	150
Overseas Trade Guarantees Act	12
	162

NET RECEIPTS (£ thousands)

Under the War Damage Act	3,077
--------------------------	-------

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
July 25	975.0	1654.3	166.8	...	3450.6
1943					
Apr. 24	990.0	1867.2	203.8	...	4104.5
May 1	1005.0	...	...	...	...
8	1020.0	...	...	...	...
15	1035.0	...	...	...	...
22	1050.0	...	...	...	...
29	1065.0	1885.9	233.3	...	4167.7
June 5	1080.0	...	...	...	...
12	1095.0	...	...	...	...
19	1110.0	...	...	...	...
30	1125.0	3028.2	244.4	...	4253.1
July 3	1140.0	...	...	...	...
10	1155.0	...	...	...	...
17	1165.0	...	...	...	...
24	1170.0	...	...	...	...

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
July 24	75.0	136.6	75.0	s. 0 d. 0-60	42
1943					
Apr. 30	90.0	167.0	90.0	20 0-17	40
May 7	90.0	179.0	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
June 4	90.0	154.8	90.0	20 0-80	46
11	90.0	152.8	90.0	20 0-76	47
18	90.0	160.8	90.0	20 0-69	42
25	90.0	165.2	90.0	20 0-47	42
July 2	90.0	173.5	90.0	20 0-37	38
9	90.0	180.2	90.0	20 0-28	35
16	90.0	175.4	90.0	20 0-00	33
23	90.0	164.6	90.0	20 0-29	40

On July 23rd applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 40 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 July 30th. The banks will be asked for no Treasury deposits for the week ending July 31st.

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
June 15	8,488	4,614	9,582	8,841
22	8,856	3,735	9,240	10,567
29	7,928	3,287	8,214	11,171
July 6	7,933	2,912	12,617	11,237
13	6,397	2,227	6,661	7,189
20	4,961	1,557	7,470	10,944
27	...	...	4,964	10,106
Totals to date	882,717*	614,474*	1,306,370*	1,446,365*

* 191 weeks. † 134 weeks. ‡ 35 weeks.
 Interest free loans received by the Treasury up to July 27th amounted to a total value of £57,904,052. Up to June 30th, principal of Savings Certificates to the amount of £110,472,000 has been repaid.

BANK OF ENGLAND RETURNS

JULY 28, 1943

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	968,115,584	
In Bank, Department	32,126,134	
Govt. Debt	11,015,100	
Other Govt. Securities	988,317,800	
Other Secs.	659,113	
Silver Coin	7,940	
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.	180,399,388
Res. " "	3,361,359	Other Secs.	...
Public Deps.	6,624,184	Discounts & Advances	7,288,071
Other Deps.	169,936,888	Securities	27,904,071
Bankers	54,607,461	Notes	35,254,184
Other Accts.	224,544,349	Gold & Silver Coin	1,306,184
	249,082,892		249,082,892

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

COMPARATIVE ANALYSIS (£ millions)

	1942	1943
Issue Dept.		
Notes in circulation	824.1	952.9
Notes in banking department	56.1	47.3
Government debt and securities	877.2	999.2
Other securities	1.8	0.8
Silver Coin	1.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2
Deposits	168.00	168.00
Bankers	8.7	5.3
Others	136.9	146.4
Total	47.8	54.1
Banking Dept. Secs.	193.4	205.8
Government	118.9	154.5
Discounts, etc.	7.1	4.0
Other	28.0	17.0
Total	154.0	175.5
Banking depart. res.	57.3	48.3
"Proportion"	29.6	23.4

* Government debt is £11,015,100, cash £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	Two Months
July 22	23½	23½
" 23	23½	23½
" 26	23½	23½
" 27	23½	23½
" 28	23½	23½

The New York market price of fine silver remains at 44½ cents per ounce throughout the week.

The New York market price of fine silver remained at 44½ cents per ounce throughout the week.

INDUSTRY AND TRADE

Talc Control.—The Minister of Supply has made the Control of Talc and Pyrophyllite (No. 1) Order (S. R. and O., 1943 No. 960), which took effect from July 19, 1943. The Order makes it necessary, except for quantities smaller than 7 lb. to obtain licences for the disposal and acquisition of talc and french chalk, steatite, soapstone and pyrophyllite.

British Standards Institution.—At the annual general meeting of the British Standards Institution, which was held last week the chairman said that 230 new and revised British Standards were issued during the past year. The total number of British Standards now in use number 1,500.

Apple Prices.—The Minister of Food has made the Home Grown Apples (Maximum Prices) Order, 1943, prescribing maximum prices for apples from August 1st. Prices are fixed at 4½ pence per lb. for the first 100 lb. and 3½ pence for the remainder.

(Continued on page 159)

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended	Aggregate from Jan. 1 to
	July 25, 1942	July 24, 1943
Working days	6	6
Birmingham	2,060	1,223
Bradford	1,554	1,096
Bristol	2,591	499
Hull	563	456
Leeds	878	755
Liverpool	824	801
Manchester	3,954	4,283
Newcastle	10,032	2,935
Nottingham	1,152	1,595
Sheffield	375	218
Southampton	565	808
	101	148
12 Towns	24,649	14,817
Dublin*	5,894	7,044

July 18, 1942, and July 17, 1943.

NEW YORK EXCHANGE RATES

	July 21	July 22	July 23	July 24	July 26	July 27
Cables						
London	402½	402½	402½	402½	402½	402½
Montreal	90-680	90-750	90-810	90-810	90-810	90-810
B. Aires	34-50	34-65	34-80	34-80	34-50	34-50
Rio	25-15	25-15	25-15	25-15	25-15	25-15

* Official buying rate 29-78. † Free rate. \$ Bid.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

	July 25, 1942	July 24, 1943	July 25, 1942	July 24, 1943
12 U.S.F.R. Banks	235	8	15	1943
Resources	1942	1943	1943	1943
Gold certifs. on hand and due from Treasury	20,550	20,168	20,146	20,130
Total reserves	269	342	354	354
Total cash reserves	3,047	7,676	7,645	7,577
Total U.S. Govt. secs.	3,063	7,722	7,668	7,598
Total bills and secs.	25,092	30,060	30,235	29,924
LIABILITIES				
F.R. notes in circ.	9,563	14,034	14,094	14,145
Excess m. bank res.	2,300	1,230	1,310	1,190
Mr. bank res. dep.	12,551	12,107	12,260	12,319
Govt. deposits	298	773	618	293
Total deposits	14,196	14,373	14,341	14,156
Total liabilities	25,092	30,060	30,235	29,924
Reserve ratio	87.4%	72.4%	72.3%	72.6%

BANK AND TREASURY RESOURCES

Monetary gold stock

Treasury & bank currency

Money in circulation

Treasury cash and dep.

CENTRAL BANK OF TURKEY

Million Turkish pounds

ASSETS

Gold

Clearing and other exch.

Treasury bonds

Commercial bills

Securities

Advances

LIABILITIES

Notes in circulation

Deposits

Clearing and other exch.

RESERVE BANK OF INDIA

Million rupees

	July 1942	June 1943	July 1942	July 1943
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	287	153	157	145
Balances abroad	843	872	838	847
Sterling securities	2,669	5,545	5,678	5,708
Ind. Govt. rpn. secs.	1,223	1,197	1,184	1,184
Investments	93	75	74	74
LIABILITIES				
Notes in circ.	4,497	7,234	7,336	7,374
Deposits: Govt.	225	297	254	252
Bankers	657	561	530	541
Others	167	41	50	63
Reserve ratio	67.4%	81.5%	82.0%	82.2%

SOUTH AFRICAN RESERVE BANK

Million £'s

	May 22	May 7	May 14	May 21
ASSETS	1942	1943	1943	1943
Gold coin and bullion	53.57	67.72	68.01	68.86
Bills discounted	0.97	8.66	9.05	9.33
Invest. and other assets	54.10	83.63	84.17	84.58
LIABILITIES				
Notes in circulation	29.71	41.79	40.92	41.15
Deposits : Government	8.70	7.77	9.26	9.90
Bankers'	59.27	99.41	100.17	100.88
Others	7.20	7.42	6.91	7.45
Reserve ratio	51.49%	43.5%	43.4%	43.6%

Tools

for Post-war Housing

ABRIDGED FINANCIAL STATEMENT OF THE C.P.B.S

Share and Loan Capital
£31,760,000

Increase in six months - £960,000

Cash and Investments
£5,313,000

Increase in six months - £617,000

Total Assets £33,532,000

Increase in six months - £807,000

Investments in Government Securities have increased by £1,000,000 to £2,540,000. Mortgage Assets stand at £27,800,000, and Corporation Loans at £976,000

★

ISSUED ON JULY 15TH, 1943, BY THE
CO-OPERATIVE PERMANENT BUILDING SOCIETY
142 HIGH HOLBORN, LONDON, W.C.1

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5215

REGISTERED AS
A NEWSPAPER

AUGUST 7, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Leaving a Void Behind - - - 161

Inside the Fortress - - - 163

The Coal Question - - - 164

NOTES OF THE WEEK - - - 167

The Sicilian Tip; Strategic Choices; Italian Lull; Italy in the Commons; The Education Debate; The Mobilisation of Women; Uncertain Alliance; Smuts's Triumph; Unified Command; Recognition Delayed; Damage at Ploesti; Bombing Policy; Economic Demobilisation; War and Peace; Holiday Traffic; The Problem of Betterment; A New Scheme; Poor Man's Valuer.

AMERICAN SURVEY - - - 173

Shortages in New England; Pie on the Cuff; Super-State; The Cost of War.

THE WORLD OVERSEAS - - - 175

Adjustments in Hungary; Labour Policy in Palestine; Foreign Companies in Portugal.

Railway Ownership - - - 166

Life Assurance - - - 178

Britain's War Debts - - - 180

THE BUSINESS WORLD

BUSINESS NOTES - - - 181

Markets Recover; Buying for Peace; The Circulation; Plain Words to Cotton Trade; Transport Workers; American Ships for Britain; Control of New Issues; Encouraging "Outside Deals"; Military Lure; Brazilian Debt Negotiations; Clothing Ration Unchanged; Substitutes for Mica; Pneumoconiosis; Company Results.

COMPANY MEETINGS - - - 185

RECORDS AND STATISTICS - - - 188

Leaving a Void Behind

"HE has the guiding light of his genius, which frequently illumines his mind like a stroke of lightning, while we sit in darkness and scarcely suspect the direction from which daylight will break upon us." Thus Goethe wrote of Beethoven; and thus, at a more earthly level, history may write of Winston Churchill, the organiser of victory. This is the hour of his triumph; his defence of Egypt has become the assault upon Europe; his Transatlantic diplomacy has filled the seas with ships and the skies with aircraft; the Russian ally, whom he was the first to acclaim, has blunted and splintered the Wehrmacht; and Italy is ripe for the reaper. The Germans are still strong and will fight hard; but, east, south, west and north, they can see no relief; their cities are being devastated; their sea offensive has been foiled; and everywhere they are mastered in the air. It is perhaps hard when the night has been long to believe that the dawn is near; but the end of the war in Europe, provided there is no major breakdown in Allied diplomacy, cannot now be far off. What next? There is a school of thought, Ministers and sycophants, which contends, in answer to anxious calls for preparations to be made for the coming peace, that success in battle is enough. What the Prime Minister did yesterday in war, he will do to-morrow in peace. Till then, they say, let all be silence, and they quote their master's voice: "Back to the job"; it is "unseemly" to look while the fighting lasts for deeds or decisions outside the fields of battle.

There is perhaps a plausibility about this application of the doctrine of one thing at a time. Yet those who so apply it might well consider some other words of Mr Churchill's. The Prime Minister has recorded in noble phrases what happened twenty-five years ago: how he stood at the window of his room, at the eleventh hour of the eleventh day of the eleventh month, and heard Big Ben telling that, after fifty-two months of battle, all was over; how the vast organisation of war vanished at a stroke, "leaving a void behind"; how his mind turned at once to the great problems of demobilisation and reconstruction that would require the same foresight and discipline and courage as war itself; and how in he glimpsed a people casting its burdens and responsibilities away. Only a few days ago, at the National I Club, he transposed the same theme into a contemporary key:

There will be great tasks of rebuilding. There will be great tasks of securing the advance of ideas and not letting it be swept back by mere tides of lassitude, exhaustion or reaction—the reconstruction and consolidation of our country in the gains which we will have made during this hard and long trial.

He told the nation in a broadcast last March of the four year plan for social security, public health, education, rebuilding, full employment and stable values that will be needed when this war is over; and he recalled "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." Yet if the peace comes soon, will the Prime Minister and his Cabinet in fact be prepared and fully armed to prevent a monstrous iteration of the disasters that he remembers so well? Last time, this country drifted into a peace it could not keep and into a prosperity it could never firmly find and hold; and it is the view of many people belonging to all parties that this will happen again unless decisions are made and plans laid before the war ends.

What is the Government's answer? Mr. Churchill has said "No promises but every preparation." What this slogan means in practice was disclosed in May in the House of Lords by the Minister of Economic Warfare:—

The blunt fact is that Cabinet Ministers, when the whole of their energies are devoted to winning the war, . . . simply have not got the time to go into these numerous and immensely complicated questions with the thoroughness and care with which they will have to be gone into one day. The civil servants and experts can of course do preparatory work. An immense amount of preparatory work is going on . . . but there are matters which must come before leading members of the Government in such considerations of policy, and it is physically impossible for them to give the requisite amount of time to these problems at this juncture.

The meaning of this is clear enough. Decisions are not being made for post-war agriculture, trade, taxation, finance and physical planning because those who have the power to decide—in the main Mr. Churchill himself—have not the time to do so. The situation was well put last week in a letter to *The Times* by Mr. Molson, MP.

Departments are keeping little study groups busy working on hypotheses, but so far practically no decisions of principle have been taken by the War Cabinet.

A month ago, in the House of Lords, Lord Nathan drew the attention of the Government to "the importance of the time factor in the preparation of schemes for post-war reconstruction"; and he was very indignantly rebuked by Lord Cranborne. The Lord Privy Seal's reply was perhaps the fullest statement so far of the *non possumus* attitude of the Government. Of agriculture, he said, with surprising levity, that no immediate decisions are called for because war conditions are likely to last until 1947—which promises a Pyrrhic victory, by default, for the agricultural interest. Of the planning of land use, upon which the whole future of national rehousing depends, he said that it raised issues of great complexity that require considerable further investigation—which means that post-war building, however ample, may be botched as badly as it was twenty-five years ago. On housing and education he pointed to the Government's White Paper policies. But there are still no decisions, and Lord Selborne has said that there can be none. Civil servants and local authorities are busy as beavers preparing they know not what. Much work of preparation must indeed be done; but without the decisions that Mr. Churchill has no time to make, it is evasive action. This war was prepared for by committees of "co-ordinators"; and the results in 1939 and 1940 are well known. Now the peace is being prepared by "study groups." While they study, the Minister of Agriculture is "under instructions" not to talk about post-war policy; the Ministers in charge of trade at home and abroad have nothing to say of any plan of action; the Beveridge Report has been cut into a score of fragments for further scrutiny; and the Reports of Barlow, Scott and Uthwatt are ceaselessly thumbed by dutiful officials.

"Leaving a void behind": that is the most striking of Mr. Churchill's phrases about November 11, 1918. The Prime Minister knows better than any man how impossible the long and tremendous process of preparing a military campaign would be without a firm decision at the outset about the campaign's precise objectives; how foolish and futile it would be to mass armadas of ships, armies of men and fleets of aircraft to strike at some point and some time unknown to the planners and organisers. Yet this is precisely what is happening in the preparation of the peace. The parallel is valuable. The

single common factor in all the theatres of war is the massive air mastery of the Allies. The single common factor in the campaign of reconstruction can be the new economics. Reconstruction requires the same homogeneous pattern and the same specific goals as war-making; the translation of the aim of full employment into concrete projects; a programme to ensure that the yield of full employment shall be divided fairly and productively; and a guarantee that the subtle and flexible instrument of finance shall consistently serve a definite policy of making the most of everything that is available for the benefit of everybody. Within the framework of this great campaign, there are decisions that can and should be made in the short space that lies between now and the end of the war, decisions in Bills, not White Papers, in Parliamentary statements, not platform or wireless orations. It is not enough for crucial questions like demobilisation to be given, as they must be given, "the necessary, detailed attention" (Mr. Bevin's phrase) by the Government. The Government must also make up its mind in time. Of course these issues are difficult and complex to decide; but this is what Ministers are for—to make the difficult and complex decisions that cannot be avoided or postponed.

Mr. Churchill's apologists reply to these protestations with many voices. One says that all the necessary work is being done; another that, since it is impossible to plan anything without reference to everything, nothing can be planned—that the safest way not to rob Peter to pay Paul in the schedule of reconstruction priorities is to pay neither. But all are agreed upon one point. This issue is a matter of confidence. They point to the way in which victory has been organised, and to the many criticisms of the conduct of the war that were made before the tide turned. They appeal for trust in Mr. Churchill, who has won the war; he is their plan, their policy, their all. Such an argument strikes at the very roots of democratic government. The implication is that criticism is always wrong because, behind closed doors, the Government may always be doing what the critics want. It is a fantastic argument. Throughout the war it has been the duty of those critics who put their country before their personal vainglory to speak their minds about the conduct of the war; and now that the struggle is proceeding to a successful issue, largely by the means that they have pressed for, they have been proved right, not wrong. Mr. Churchill himself has paid tribute to "prods" and to the stimulus and support that the Parliamentary process has given him throughout the ordeal; of all men, Mr. Churchill would not wish, in war or in peace, to be a Fuehrer, with his critics silenced to murmur underground until a day of reckoning. This is at least as true of planning for peace, when it is not necessary, and indeed quite wrong, for the Executive to conceal from Parliament its designs and intentions. It would be a betrayal of trust for Parliament to sit silent, hoping for the best, when it knows from its own experience the great standstill and sense of frustration that, for lack of Government decisions, is creeping over the preparations for peace. Members know of the cynicism that is abroad about the post-war period, of the men who say, "Of course, nothing will be done," and of those others, better off and more highly placed, who say, "Of course, nothing can be done."

The onus is upon the organiser of victory himself. It is his choice and his character to govern with a minimum of delegation; and, after many trials and desperate escapes, he has grandly vindicated his methods. But the bottleneck is still there on his desk, shifted from the planning of war, which he has accomplished, to the planning of peace, which he has set aside. The time has come now when for peace, too, he must decide or delegate. The Prime Minister is one of a brief band of great British leaders who have led their country to success against great odds. He can be the first to win the peace after war. Chatham resigned before the war was over; Pitt died; Lloyd George stayed to fail and fall. It would be a melancholy epilogue for Mr. Churchill, in his turn, to go down as the Prime Minister who won the greatest war in British history, and then

Inside the Fortress

THE curtain has gone up in Italy. The actors who played the leading parts for twenty years have departed; and temporary successors now move across the stage like shadows of the past, to return again soon to obscurity. The real actors in the new drama have not yet stepped to the front of the stage, but linger in the dim background or the wings; and, after so many years of silence, the ring of their voices is not yet clear. But there can be no doubt about their identity: they are Underground Italy. For nearly two decades the audience has doubted whether these submerged men would ever again get a chance to intervene in the performance; some even doubted their existence. Now their faces have been seen in the photographs of enthusiastic Italian crowds celebrating Mussolini's downfall, and their voices have been heard, demanding freedom and peace, in the manifesto of five Italian parties.

The collapse of Fascism in Italy is the vindication of the whole European underground movement. To-day Italy is showing to the other countries of Europe the picture of their own future. The interplay of factors needed to bring about the collapse of a totalitarian tyranny has been displayed: the impetus which the military defeat of their rulers can impart to the underground opposition, and the capacity of this opposition to speed up the process of political disintegration, begun by reverses in the battlefield. It might be said that the picture is not at all new. Tsarist Russia, in 1917, collapsed under similar circumstances. So did the monarchies of the Hohenzollerns and of the Habsburgs. But there is one important difference. None of the regimes which collapsed in 1917-18 was totalitarian. Each of them tolerated some internal opposition. (Tsarist Russia, even under Stolypin, who had crushed the revolution of 1905-1907, was a mild and almost humane autocracy compared with Fascism.) Mussolini spent twenty years in ridding Italy of all anti or non-Fascist organisations. The job, it seemed, was done thoroughly, and the political life of Italy, outside the ruling party, appeared to have been reduced to nothing. Even many of Mussolini's adversaries, in their despair, came to believe in the omnipotence of the totalitarian state. This is even more widely believed of Nazi Germany—and possibly with greater justification. Events in Italy, however, have disproved a myth. The sudden collapse of Fascism shows that the removal of all safety valves did not make the Italian totalitarian state immune from the effects of high pressure, but only made the eventual explosion more sudden and catastrophic.

Events in Italy have already thrown some light on the possible array of social and political forces there and

elsewhere in rising Europe. Reports speak of the formation of a united anti-Fascist front by several political parties. That these parties may at present be united on a minimum programme of peace and the restoration of civic liberties seems very likely. But there are lines of division within the *bloc* which seem very reminiscent of the divisions that existed in pre-Fascist days. Reports have mentioned Liberals, Catholics, Socialists and Communists—the parties of the old parliamentary era. The fact that, after twenty years, the old political framework seems to have reappeared is significant. In Germany the totalitarian interval has lasted only ten years; and it is not unlikely that in Germany, too, if and when the hard totalitarian crust is broken, there will appear below, not a complete political vacuum, but some array of forces more or less in keeping with the politics of the pre-Nazi period.

So far, however, all is supposition. The situation in the two Axis countries, Italy as well as Germany, is still uncertain and unclear. But the situation in the occupied countries is more definite. Everywhere the war and the occupation have temporarily blurred the political division between Right and Left. A year ago *The Economist* summed up the politics of the underground movements in the following words:—

Ideological divisions have, in fact, been blurred and hidden by the fog of Nazi cruelty and oppression. And this lack of an ideological backbone accounts for the strength and weakness alike of the underground movement. It has helped to mobilise the sentiment of the widest possible range of social groups in invaded nations against the invaders, when many might have been scared away by political and social dogma. On the other hand, it has perhaps hampered the crystallisation of any distinct ideas or programme for the future of Europe.

This is, broadly speaking, still true. The fog of Nazi cruelty has thickened; and considerations of national solidarity against the invaders still dominate the underground scene. Yet some changes have taken place. The underground movement has outgrown the phase in which organisation, and not politics, was its primary concern. The period of difficult and costly apprenticeship in illegal activities has been left far behind. This is true, not only of eastern Europe, where an old tradition of illegal political struggle helped to organise resistance against the Germans. It is also true of France, Belgium and Holland, the countries which at the beginning were handicapped by the absence of any tradition of underground resistance. Indeed, there is some evidence that, during the past year or so, resistance has become even



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

better organised in western than in eastern Europe. (The incomparably more brutal terror in the east has not permitted the organisation of strikes or mass demonstrations. In the west the German terror has been sufficiently brutal to provoke such reactions but not brutal enough to suppress them altogether.) But precisely because the underground movements have overcome their initial weaknesses, the old issues of domestic policy have tended to come again to the fore, and with them the old political divisions. The military events of the past year have had a similar effect. As the prospect of German defeat has come nearer, the minds of the underground leaders have turned more and more to the problems of peace; and somewhere deep in the labyrinth of resistance a preliminary manoeuvring for position is already taking place among the various political factions. Nowhere have the old social and political lines of division lost their validity.

Thus, the new "spring of the nations" promises to be not entirely unlike its forerunner in 1918-1919. Yet some important differences can be foreseen. After the last war the broad masses of the people tended to look for guidance to the organisations they had known from long political experience, which confined the spontaneity of mass reactions within narrow limits. This time, the position may be very different. Clandestine organisations usually embrace only small numbers of people—the cadres of resistance. To the broad masses they remain more or less anonymous. The man in the street on the Continent has lost much of his habit of waiting for the call of his party or organisation; and there is the likelihood of more spontaneous and spasmodic political reactions during the transition from war to peace. In the occupied countries the Allied Governments, return-

ing from exile, will have a fair chance of establishing themselves as centres of authority to which their peoples will look for guidance. In the Axis countries the transition from war to peace, which will at the same time be a transition from one regime to another, cannot be expected to take place in as organised a manner as in 1918 and 1919.

Some reports from Italy have spoken of the appearance of a workers' council in Milan. How much truth there is in these reports it is difficult to say. The workers' council in Milan, if it exists, may be a purely local phenomenon. But the collapse of a totalitarian regime does make the appearance of bodies of this sort very likely. A workers' council is elected by the workers of a factory. In a country where labour movements have been suppressed, and where workers are not accustomed to look for a lead to parties or trade union, the factory becomes automatically the nearest and most convenient ground for political organisation; and that organisation takes the shape of a workers' council. This was the case in Russia in 1917. True, in 1918 similar councils sprang up in all the central and eastern European countries, in Warsaw, Berlin and Vienna; but in those countries the councils were unable to assert themselves against the old-established parties and trade unions. Only in Russia, where the liberal and socialist parties were illegal under the Tsar, did the councils (or Soviets) become the apparatus of the revolution. The important difference between now and 1917-1918, however, is that no political group in the European movement—not even the Communists—has advanced a programme of Soviets. No new Lenin seems to be emerging from Underground Europe this time.

The Coal Question

WHEN Jevons wrote his famous book on the "coal question" seventy-eight years ago, the main concern was for the conservation of coal resources. Today the prime concern is the maintenance of the coal industry's labour force, which is steadily declining. Between the wars coal-mining was a depressed and shrinking trade. Its old overseas markets had dwindled. There were new, rival fuels; and the industry's long agony left bitter memorials in the pit villages of Wales and north-east England. Now time has brought its revenges. The demand for coal is rising to a new peak when the last act in this grievous contraction has not yet run its course; and there is a real possibility that both the war effort and liberated Europe will go short of coal for lack of British manpower. The Government has set out to increase the number of workers in the industry to 720,000-750,000; and on July 29th Mr. Bevin told the House of Commons of some of the proposed measures, including the direction to mining of men between 18 and 25. These measures may achieve an immediate increase in the labour force. But the "coal question," in its new guise, will persist. Will even these numbers of men be sufficient to produce enough coal to meet the immediate demand? And, in the longer run, what effect will their recruitment have on the future of the industry?

The needs of home industry and the Forces will not abate in coming months; and as the pace of victory quickens and more and more territories are freed, the call for exports will grow. Italy alone (according to the Director of Labour at the Ministry of Fuel and Power) will have to be supplied with some 5,000,000-6,000,000 tons of British coal—about half its normal requirements. As the invasion proceeds, coal will be needed to keep Europe's transport systems in operation; supply ships will have to be bunkered, essential civilian needs to be met and, as soon as possible, industries restarted. Stocks of coal in France and Belgium have been denuded. And when the enemy has been beaten, and the war is

over, this demand for British coal will become not less, but much greater.

Some idea of the magnitude of the post-war problem can be gathered from the figures of the production and imports of various European countries in the year before the war.

1938	Production '000 Tons	Imports '000 Tons	British Share Per Cent.
Italy.....	1,480	11,915	19.2
France.....	46,502	18,685	33.9
Belgium.....	29,585	4,494	14.9
Greece.....	—	897	17.6
Norway.....	—	2,270	62.4
Denmark.....	—	3,856	76.8
Netherlands.....	13,488	4,915	15.0
Germany..... (not including lignite)	186,179	4,970	74.3

The coalfields of Northern France, other occupied countries, including Russia, and Germany itself, will be partially and temporarily out of action. British coalfields will almost certainly be the only ones in Europe in full working order, and on them will fall the brunt of making good the deficiencies. Inevitably, wartime economies in domestic and industrial consumption will need to continue; perhaps it may even be found necessary, at long last, to introduce coal rationing. The figures tell their own story. Judged by the production figures of 1938, exports for Europe immediately after the war may require an increased annual production in this country of between 30 and 40 million tons. Taking an output of 300 tons per man per annum, and assuming no rapid increase in productivity through improved technique, this would necessitate the recruitment for coal-mining of another 120,000 men, over and above Mr Bevin's 30,000-50,000. Precision is not possible in estimates of this sort, but it is clear that the demand for British coal in the immediate post-war period will be colossal, and that there will be an unprecedented demand for labour. Will the men be forthcoming? Mr Bevin's measures are intended to recruit miners for war production. Once the war is

over, will he be able to persuade these men to stay in the industry, without the continued application of the Essential Work Order, let alone to recruit still more men—unless his powers of direction are carried over from war to peace?

All the available evidence suggests that there may be strong reluctance on the part of the younger miners to stay in the pits and on the part of ex-miners now in the Forces (not a very considerable number) to come back. Speaker after speaker at the recent conference of the Miners' Federation stressed the unwillingness of parents and school-teachers to send boys into mining, because of its dangers and lack of prospects. The miners remember their experience during the depression, hanging about street corners or labour exchanges, eking out a miserable existence on the "dole"; and as the Forster Committee on juvenile recruitment and training said:—

If boys are to be attracted in adequate numbers to the industry, it will be necessary to provide a greater sense of economic security and a firmer assurance of a progressive career.

Much obviously depends upon what can be done to raise the dignity of the industry and improve the miner's working and living conditions. The miners have put forward a Boys' Charter, in which they ask for national minimum rates of pay for juveniles; improved training facilities for youths and for colliery craftsmen; holidays with pay; retraining facilities for men displaced by the closing of pits; and retirement pensions at 60. This Charter has, in the main, been incorporated in the Forster Report, the adoption of which is the first step to the reconstruction of the industry's labour force. A lot has been done in the last few years, but much more still is needed. The accident rate is still appallingly high in terms of both man-hours lost and human suffering. Compensation for disablement and death is still extremely inadequate in an industry where such a high proportion of workers are liable to accidents. Housing conditions in the mining villages of South Wales and Durham are often very bad, and almost invariably drab and dreary.

In the circumstances, it seems certain that the financial inducements to labour will have to be considerable if the tide is to be turned, and the immediate needs of the next period met. It is significant that young men prefer the battlefield to the coalfield; they choose 2s. a day under military discipline before much better pay and guaranteed work at the pits. Even now, the level of wages in mining compares unfavourably with those in engineering and munitions. If men are to be attracted to the coal industry, mining will have to compete with other demands for labour—at a time, immediately after the war, when there may well be a general employment boom.

After the last war, too, there was an employment boom—followed by the painful shrinkage that lasted so long. It was the fear of a repetition of this experience that lay behind the demand of this year's miners' conference that there should be no "reparation coal" after the present war. But history need not repeat itself. Two stages must be distinguished. In the first, immediately after the war, when other producers are out of the field, there will be a swollen demand for British coal, and it seems very likely that labour will be in short supply, even if all steps are taken to attract new entrants. However, in the second stage, that is, in the longer run, a new situation may develop. Europe's coalfields will return to full work again; and there may be great advances in the production and use of coal derivatives and coal substitutes. It seems on the face of it unlikely that the Government will succeed in bringing up the manpower to the strength necessary to meet the needs of the first stage—850,000-900,000 men, but to the extent to which they succeed in the short period, a contraction may follow in the second stage. Then the British coal industry operating with a contracted labour force (say of 600,000 men) will have to stand on its own feet in competition with other coal-producing countries, and rely on productivity rather than on abundant labour.

There is clearly room for increased efficiency in coal-

getting. Admittedly, many British seams do not lend themselves easily to mechanisation, which renders comparisons on this score with German and American pits only partially sound. But on balance, in spite of the progress just before and during the war, the British industry is still backward, and more machines could be used in cutting, loading, conveying and stowing coal. As long as miners regard machines as enemies, remembering how they displaced pitmen in the past, they will resist mechanisation, although machines could greatly lessen the arduousness of their work. As long as the mines are organised on their pre-war basis, uncontrolled, individualistic and financially self-contained, there will be resistance by owners to concentration on the most efficient pits. The Samuel Commission advocated amalgamations on a voluntary basis as the best solution, but little was achieved under the Coal Mines Act of 1930. The owners were given an opportunity, which they missed. Wartime experience has revealed the difficulties of achieving reorganisation (as promised in the 1942 White Paper) while the fundamental basis of ownership is left unaltered. The task of improving efficiency, which the contraction of the labour force will both accelerate and render more than ever necessary, can best be discharged under unified, national control. Indeed public control of the mines—in the sense that the Government should exercise a general oversight over the process of production—is a step that cannot be long postponed. There is also scope for greater efficiency in the utilisation of coal and for more attention to research. The Parliamentary Scientific Committee in its recent report showed that, in 1938, the useful recovery of energy from coal was only 30 per cent, and that less than 1 per cent of the nation's available scientific personnel is engaged on coal research, and the industry only spends about £200,000 a year on research. The improvements in utilisation which have resulted from the war fuel efficiency campaign must be carried over into the post-war period.

It would be stupid to be pessimistic about the future of the coal industry. Without coal, as the President of the South Wales Miners Federation put it, Britain would sink to the level of a third-rate agricultural country, and could not support a population of more than 12 millions. Industrial and economic activity have in the past depended upon the production of coal, which has been relatively cheap, and it will continue to be the foundation of British industry. The need now is for coal to be recognised more as a raw material and less as a product for use in its raw state. Electricity, cheaper and cleaner, will be used increasingly for domestic purposes and by industry. Coal is an important source of chemicals, and there is a responsibility upon the Government to see that the chemical industry, based on coal, is rapidly and efficiently developed; and that this coal-based chemical industry is integrated with the petroleum-based chemical industry, still largely non-existent in this country. Coal can play an important part in the development of plastics, of synthetic rubber, soaps and fertilisers. Future possibilities are considerable. As in every aspect of British industrial life, it is all a question of efficiency; and the nation cannot afford or tolerate impediments to the best use of its only raw material. It will demand boldness, planning and foresight, under national control, and a just reward, economically and socially, to the men who work in the mines.

THE ECONOMIST: 1843-1943

The Economist will be a hundred years old on September 2nd. A Special Centenary Volume has been prepared by the editorial staff and a number of distinguished collaborators, reviewing the history of the paper and its part in public affairs during the century.

This book is being published by the Oxford University Press and copies, price 7s. 6d., will be available in September. They should be ordered from a bookseller and not from The Economist or the Oxford University Press.

people, who have shown in Sicily by their co-operation, and in Italy by their lack of it, that they are wholeheartedly for peace. If the Allies, by political bungling, lose the support that would so gladly be given them, they will find themselves faced with maintaining long and arduous lines of communication without Italian co-operation. If, on the contrary, they can win over the Italians, the Germans, wherever they hold a line, will be harassed by riots and revolts on the scale of the recent disturbances in Northern Italy.

Italy in the Commons

What could stand in the way of so obvious a policy as that of mobilising Italian support for the Allied advance? One thing only—the fear of loosing an avalanche of revolution. It might be possible, either by using Amgot to enforce an over-rigid discipline or by giving some sort of *de facto* recognition to the Badoglio régime after its capitulation, to become implicated in a widespread attempt to damp down popular enthusiasm in Italy, and to force underground the spontaneous uprisings which are bound to accompany the coming of peace. A major question of policy is involved here, and the Commons were therefore justified in debating the question even in face of the War Cabinet's disinclination to allow the discussion—and despite Mr Bevan's needlessly intemperate opening speech. The real point at issue is whether the Allies should welcome the support—sometimes violent support—of the Italians in liberating Italy. Or whether this clamour is the preliminary rumble of a violent social upheaval, and must in the interests of order—military and social—be firmly repressed. The House was divided on this issue, the more Conservative section supporting Mr Pickthorn's claim

that it is not proper to use a war, to use military occupation of territory, to try to alter social arrangements.

Liberal and Left opinion took the opposite view that the danger facing the Allies was that they might use military occupation not to alter social arrangements, but, on the contrary, to prevent them from being altered by the people themselves. Mr Ivor Thomas asked

that these forces shall be given a fair chance and that by some action by the present ruling forces in Italy we do not nip this revolution in the bud ;

and offered as an alternative policy that

there should be for some period a military occupation, during which the organs of democracy shall be allowed to function again.

This is surely a wiser and safer approach than to try to throttle down popular passions under some quasi-Fascist dictatorship. The cleavage of opinion dividing the House was a real and profound one. It turns on the question: who are the Fascists? Mussolini and his lieutenants only, or also the social groups who supported him? Conservative thinkers limit Fascism to the former category; radical opinion—together with the mass of the Italian people—adopts the broader definition. Badoglio is acceptable judged by the former category, unacceptable according to the second. The divergence here is so sharp, and so fundamental for the future of Europe, that Mr Kenneth Lindsay was justified in calling for a general debate on the first principles of foreign policy. Meanwhile, it is surely essential to point out that it is an error to think of two extreme categories only—Fascists and Revolutionaries. There is the middle term of constitutional democracy. The Italian people want civil liberty. But one thing is certain. Suppress their energies, discredit liberal principles, show them democracy in alliance with the leaders they have disavowed and they will inevitably turn to extremer forms. Those who wish to maintain the police state in the name of law and order are preparing the very revolution they fear the most.

The Education Debate

The White Paper on education has, on the whole, had an excellent reception, both inside and outside Parliament. As might have been expected, there was more discussion in the Lords this week than in the Commons on the provisions for Church schools, but there was no controversy, and the Archbishop's three suggestions seem, on the face of it, very reasonable. In the Commons, some disagreement was expressed about the intention to abolish the Part III local education authorities

—those responsible for elementary education, which include non-county boroughs with a population of over 10,000 in 1901, and urban districts with a population of over 20,000 at the same date. It is clear that some of these councils are going to resent the transfer of their functions to counties and county boroughs, though there will be district committees, to which the county authorities will delegate functions in respect of both primary and secondary education. Regarding the reorganisation of LEAs. Mr Butler let fall a welcome promise that the poorer authorities will be given additional financial assistance. But what came up most in the debate was the lack of teachers for putting the plan into effect, even if the other obstacles are overcome. A higher school-leaving age, smaller classes, more, and more varied, secondary schools, young people's colleges—to say nothing of an expansion in adult education, which is only summarily dealt with in the White Paper, and the large numbers of teachers that the Colonial Secretary will want for his educational schemes in the colonies—all these will create a big demand for teachers who cannot be supplied overnight. The source from which they can be recruited is small, owing to the defects of the present educational system, and the only way to attract the intelligent and the ambitious—the sort of teacher needed to instil the "sound learning" of the Norwood Report—will be a drastic overhaul of the system of teachers' pay. At present, though teachers begin on a living wage, they rise from it by depressingly small amounts to a maximum which is far too low for the ambitious, and which they reach too late in life. This would mean additional expenditure over and above the £67.4 million increase estimated in the White Paper as the ultimate cost of the proposed reforms, but it will be necessary if the teachers are to be found. The final criticism expressed in the Commons debate was not so much a criticism as an attitude of mind—a certain scepticism was apparent throughout the debate that even this Education Act, when it becomes an Act, will share the fate of its predecessors. Mr Butler himself, in his broadcast on July 30th, appealed to the country to support the Government in putting it into effect. It is not the people who need to be convinced of the need for reform—for a long time, realising that their own gravest defects, in peace and war alike, are due to educational deficiencies, they have been waiting impatiently for this plan. Now that it has appeared, their reply to Mr Butler is "Go to it. Let education have reconstruction priority No. 1."

The Mobilisation of Women

Mr Bevin's proposal to raise the age of registration for women up to 50 was strongly criticised in the House of Commons on Tuesday, and a motion of protest has been tabled by some 100 Members, mostly Conservatives, and among them many of those who welcome every opportunity of attacking the Minister of Labour. Many arguments against extending the age-limit were developed in the debate—the physical strain on elderly women; the shortage of domestic help; the break-up of family life; and the fact that, on the Ministry's own showing, no very substantial addition to the labour force can be expected from this source. All these fears are substantial and there is a considerable weight of public opinion behind them. But every ounce counts in this closing round of the war; and, in any case, the effect of registration at these ages is as much to ascertain that individuals cannot be spared from what they are doing as it is to secure their release for other work. Mr McCordale, the Ministry's Joint Parliamentary Secretary, assured the House that his department would proceed with great circumspection, and that the domestic responsibilities of the older women, who would be regarded as immobile, would be carefully examined by the local hardship tribunals. He explained that this measure was necessary in order to release younger and more mobile women for industry. The nation's reserves of labour have now run dry. Each new essential task must draw its workers from men or women who are already doing necessary work at home or in other employment; and it would be a poor end to the immense effort that has already been made if the final prize, already in sight, is victory. The enemy is being dominated from the skies over every battlefield and his own cities, and the massive output of aircraft that this entails is now to have over-riding priority in labour. To the extent that the call-up of older women will release younger women for work in aircraft factories, it is a wartime necessity. Plainly, however, the Government should see that every source of manpower, mobile or immobile, is fully combed

before it starts to recruit from either the lower or the upper age-limits (below 18 and above 45); and something more could still be done to increase the productivity of labour even further, by speeding up the training and upgrading of unskilled and semi-skilled women, and seeing that the rate for the job is generally applied as a rightful inducement.

Uncertain Alliance

The appointment of a new Soviet Ambassador to London has been announced. M. Gusef, Soviet Minister to Canada, is to succeed M. Maisky, and although Anglo-Russian relations will benefit by M. Maisky's expert knowledge in Moscow, it is perhaps unfortunate that a less experienced Ambassador should represent Russia in London during a crucial period when many political problems of first-class importance are bound to arise. At Washington, too, M. Litvinov's absence in Moscow leaves much vital business in the hands of a *Chargé d'Affaires*. Unhappily, this diplomatic gap seems to reflect a continuing lack of full co-ordination in the policies of the three Great Powers. There is still no prospect of associating Russia with Amgot or with a joint statement of political purpose addressed to the occupied peoples. Similarly, the Free German Committee in Moscow, while gaining more and more prominence on the Russian side, has not yet been linked up in any way with British and American propaganda to the Reich. And new evidence of faulty co-ordination is unfortunately evident in the attack launched in the Russian press against the idea of an East European federation, which, in principle at least, the British Government has blessed. The Moscow periodical *War and the Working Classes* goes so far as to say bluntly

Plans for the establishment of an Eastern European Federation hostile to the Soviet Union can be built up, but only with the renunciation of friendship and collaboration between the USSR and the Allies in the post-war period as the point of departure—only if the renunciation of the Anglo-Soviet treaty be considered.

Is it extraordinary that, with all this evidence of unco-ordinated policy-making, those who have put most hope in a concert of the Great Powers are beginning to wonder whether the tragic misunderstandings of 1939 may not be reappearing on the horizon?

Smuts's Triumph

The count of votes in the South African election was completed a week ago; 610,000 people voted for the pro-war parties, 347,000 for the Opposition. General Smuts's triumph is unmistakable. In the new Parliament, he will have 102 supporters, 89 of them from his own United party, against 43 members of Dr Malan's Nationalist party. His majority which, before the election was 21, is now 67. There is no doubt that the Prime Minister's patient skill in steering a Parliament and a country containing so large a proportion of opponents of the war and the British connection has now been properly rewarded; and, significantly, this vote of confidence came on the morrow of the Allied victory in Africa, which General Smuts has always regarded as being crucial for the issue of the war. It would be entirely wrong, however, to suppose that the supporters of South African independence, aloofness and national segregation have been disposed of for, say, a generation. This was a "khaki" election; and, even so, more than one-third of the votes were cast against the Government. Moreover, Dr Malan, like General Smuts, achieved in this election what he set out to do. He had, he knew, no hope of victory. He set out, therefore, to reintegrate the Opposition by killing the splinter parties which had flirted with Nazi ideas or which still pined forlornly for the late General Hertzog. In this he succeeded. The Opposition now consists entirely of Dr Malan's supporters; and the way is open for a straight fight at some future date, when General Smuts will have gone and his heterogeneous backing in the United Party, as well as in the Labour and Dominion parties, may be seeking a new orientation. The effect of General Smuts's victories in war and politics will last powerfully for a considerable time; but it would be a rash prophet who attempted to forecast the course of South African politics when the issues will be those not of war but of peace—economic development, native policy, constitutional reform, international obligations and all the aspects of independent nationhood in a new and changing world.

Unified Command

Arrangements to unify the armed forces of France have been announced. General Giraud becomes Commander-in-Chief, and in so doing surrenders most of his political and civil powers. In future he will preside over the National Committee only when military matters are under discussion, and he is no longer co-President of the Committee of National Defence, which is to become a sort of Minister of War in commission. Apart from his immediate military duties, he will be responsible for representing France in all inter-Allied discussions on joint strategy, and for supervising the distribution of armaments. The positions vacated by General Giraud have been taken over by General de Gaulle. He is now President of the National Committee in all non-military matters. Moreover, he is to be chairman of the Committee of National Defence, a position roughly equivalent to that of Minister of War. The end of the purely personal division of France's armies between two generals can be warmly welcomed, and the subordination of General Giraud as Commander-in-Chief to a Committee which is anonymous and collective in its action is in keeping with sound French democratic practice. The only anomaly is General de Gaulle's military rank. He now occupies a civilian post both as President of the National Committee and as Minister for War—the posts must be civilian, otherwise the whole point of subordinating General Giraud's military authority to them disappears. It would be suitable, and at the same time reassuring, if General de Gaulle were now to give expression to the civilian and constitutional character of the Algiers regime by abandoning his military title.

Recognition Delayed

The National Committee whose policy-making affects the lives of millions of French subjects in the French Empire, as well as the future of a far from negligible French fighting force, still meets without the official recognition of its great Allies. When it is remembered how small an area of effective authority rests with any of the Allied Governments in London, it is almost fantastic that the French, who want no more than a *de facto* recognition, should still lack this official clarification of their position. What is the reason for the delay? It can hardly be Mr Roosevelt's objection that 95 per cent of the French people are still under German control, because it would hold good for nearly all the Allied Governments. The real objection lies deeper—it is concerned with the personality and policy of General de Gaulle. It is difficult to disentangle the muddle into which Allied policy has fallen on this point. The State Department has made itself the spearhead of criticism of General de Gaulle and by doing so has ranged liberal opinion solidly behind him. The State Department's reputation is such that its bitter attack on de Gaulle is regarded in most liberal quarters as an added recommendation for the General. But the real issue is not that the State Department prefers a "Fascist" Darlan or a "Fascist" Giraud to a democratic de Gaulle. Only its clumsy handling of the situation has simplified the problem in this way. The truth is that many Frenchmen and many English people, including the highest authorities in the land, have come to make reservations about General de Gaulle, not assuredly because he is too "Left," but because they fear his ambition and the use he may make of *Gaullisme* inside France. Here, however, the question at issue is not whether or not these doubts are justified. The problem before American and British diplomacy is much simpler: if the authorities believe that General de Gaulle has dangerous political ambitions, is

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.

their policy towards the National Committee strengthening or weakening his separate personal position? Surely it is clear that the Allies' failure to recognise the National Committee, far from countering the dangers they rightly or wrongly see, can only serve to perpetuate them. So long as the National Committee is not recognised there can be no natural growth of its own anonymous collective authority and prestige. In an unofficial Committee, the civilian members are bound to lack status. Finally, the rankling sense of injustice left by non-recognition is creating a breach between France and its Allies from which Britain, not America, will suffer most. Two steps should be taken, and taken quickly, if this critical situation is not to degenerate into a really tragic feud. The Committee should be recognised; at the same time, the military side of the French effort—which is, after all, the most important side—should be built up, partly by speeding on supplies to General Giraud's armies, partly by giving a proper place to the French High Command in the Allied War Councils. This is particularly urgent now, when the theatre of war is moving—via France's jackal enemy, Italy—towards the coasts of France.

Damage at Ploesti

On August 1st, American bombers carried out a mass low-level attack on Roumanian oil fields and refineries. Reports have since come in of very heavy damage to the most important oil refineries at Ploesti. The bombers made a round trip of 2,400 miles, which is in itself a remarkable achievement, although the bomb-load must have been appreciably lower than in raids made on Western Germany from this country. The pilots and crews were carefully trained on models before they were sent on their exploit, and no attempt was made to bomb the small oil wells. This first really big raid on this target—during which 20 bombers were lost over Ploesti and more on the way back—inevitably raises the old problem of Germany's oil supplies. Roumania's oilfields are the biggest single source of oil for Germany. They produce more than one-third of the annual output of natural and synthetic oil in Axis Europe. Rough estimates based on statistics relating to 1940 and 1941 suggest that only a fraction of the crude oil output was exported to Germany and Italy. The refining was done on the spot, and the exportable surplus of refined products may have amounted to 3,000,000 tons, of which 2,000,000 probably went to Germany. Great efforts have been made recently to reduce Roumanian home consumption by utilising natural gas, which proves that Germany needs greater supplies from Roumania. These estimates show that the destruction of a large part of the refineries would deprive Germany of valuable supplies of refined oil products—as long as the refineries remained out of production. What proportion of Germany's total supplies of refined oil products do the Roumanian supplies represent? If deductions are made for Roumania's home consumption, and for its exports to other countries besides Germany, one can roughly estimate that Roumania's exports to Germany amount to about one-fifth of Germany's total supplies. If Roumanian refining capacity were completely destroyed by bombing, this figure—one-fifth—would be the loss suffered by Germany.

The destruction cannot have been complete and lasting; but the damage done by the raid is not simply a question of the direct loss of oil products suffered by Germany. All kinds of subsidiary damage and inconvenience must be taken into account. For example, there is the strain on Germany's resources entailed by the need to repair the damaged refineries, tanks and pipelines. For some time past Germany has been delivering considerable quantities of pipes to Roumania, and it may well be that new material will not be available at once. Of course, the Germans may then divert the crude oil to those of Roumania's refineries which are not working at present—the reason for supposing that there is some unused refining capacity in Roumania is that recent regulations restricted the export of crude oil. Yet it is very unlikely that Roumania's unused capacity would be sufficient; and Germany would have to face the problem of finding tankers for shipping crude oil to refineries in Germany. Thus, given the direct loss in oil products together with the subsidiary inconvenience of repairs, transfers of oil to other refineries and strain on the transport system, the effectiveness of the Ploesti raid is considerable. The oil fields and refineries seem, from the reports and photographs, to be very severely damaged. The problem now is to ensure that the raids can be repeated often enough to make the damage permanent.

Bombing Policy

In ten days and nights a greater weight of bombs has been dropped on Hamburg than during all the raids on London in 1940 and 1941. The result has been fearful disruption, with refugees streaming from the city, whole boroughs wiped out and presumably a standstill in Hamburg's factories and dockyards. Some neutral correspondents went so far as to speak of Hamburg as having ceased to exist "as an organised city." This may be exaggerated—the RAF has returned to the attack since the statement was made—and those who speak of "unparalleled destruction" should remember that neither the ferocity of the attack nor the devastation wrought are on a scale new to war. Stalingrad virtually "ceased to exist as an organised city," and bombing cannot equal yet the damage done by bombing combined with artillery bombardment. Yet when all this is admitted, the attacks on Hamburg do mark a new and terrible stage in the intensification of aerial bombardment. The first successful and long-deliberated programme of annihilation from the air is being executed by Allied aircraft. The argument of military necessity is one which every sane person who wants to finish the war will accept wholeheartedly, if only for the lives of Allied soldiers and European civilians that would be saved should the war be brought abruptly to an end by this means. Bombing Hamburg's factories and docks obviously impedes the German war effort. The only convincing argument against this type of bombing would be to prove that the bombers could be better used elsewhere, or that the Allies' labour force and raw materials could be better used on other types of weapon. On this point, it is impossible for the layman to have an opinion. But in some quarters—particularly, gloatingly and reprehensively, in some sections of the press—two new arguments are being brought up to justify the bombing. One is that mass destruction "will bring the war home to the German people"; the other, that civilian morale will crack and bring about the disappearance à la Mussolini of the Nazi regime. This approach is in flat contradiction to any previous formulation of British bombing policy. It is an advocacy of terror bombing. It is an acceptance of unlimited warfare on non-combatants. Such an acceptance of the enemy's "total" outlook must not come to be regarded as the norm in this country. In air bombing, as in artillery bombardment, civilians must suffer when military targets are attacked, but to abandon the policy of attacking military targets only is to declare war on non-combatants.

Economic Demobilisation

At the Transport and General Workers' Conference on Monday, Mr Bevin took the broad problem of demobilisation as his theme. Too often, demobilisation is taken to mean simply the release of men from the fighting forces; in fact, it is the whole process of transition from war to peace economy, a process examined comprehensively, though in general terms, by a recent Report of the League of Nations' Delegation on Economic Depressions. Mr Bevin's starting-point was that of the responsible politician: "we want to avoid the difficulties that arose at the end of the last war." His emphasis was upon the need for equality between individual and individual or between group and group in the process of change-over. There will be a period of shortage after the war while stocks of goods are replenished and arrears of work are made up. The aim during this time, the Minister rightly contended, should be the same as during the war—to prevent "those who have time and money from getting the markets and pushing up the prices." For the same reason "every step should be taken to keep purchasing power on the same level; inflation or deflation would alike be unfair and discriminatory. For the rest, Mr Bevin had little to say, except that the Government was studying all the problems involved. The Minister rather gave the impression that, in his view, the economic future is merely a matter of manipulation and arrangement—of collective bargaining, so to speak, not only between employers and workpeople, but also between industry and the Government and between one nation and another. He announced that it is comparatively easy to produce all the goods required, and that the problem to be solved is one of distribution. Consequently, he had little to say about the basic need for economic and technical efficiency, for the output of the greatest possible quantity of goods and services per worker and per machine. He did declare that this country must supply its markets abroad "at such prices as would build up the goodwill of our trade for the future"; but he did not make as plain as two

of his colleagues, Mr Lyttelton and Mr Morrison, have recently done, that this process of selling cheap involves producing cheap, that is, with the least use of physical resources—and with the maximum degree of mobility and adjustment on the part of both labour and capital.

War and Peace

Seldom are the proper objectives of post-war economic policy so well stated as in the League of Nations' Report on the Transition from War to Peace Economy, referred to in the previous Note. The statement is worth quoting in full:

- (a) that the fullest possible use is made of the resources of production, human and material, of the skill and enterprise of the individual, of available scientific discoveries and inventions, so as to attain and maintain in all countries a stable economy and rising standards of living;
- (b) that, in so far as is possible, no man or woman able or willing to work should be unable to obtain employment for periods of time longer than is needed to transfer from one occupation to another or, when necessary, to acquire a new skill;
- (c) that in the use of these productive resources, the provision of goods and services to meet the essential physiological needs of all classes of the population in food, clothing, house room and medical care is a prime consideration;
- (d) that society distribute, so far as possible, the risk to the individual resulting from interruption or reduction of earning power;
- (e) that the liberty of each individual to choose his own occupation is respected and is promoted by equal educational opportunities;
- (f) that the liberty of each country to share in the markets of the world, and thus to obtain access to the raw materials and manufactured goods bought and sold on those markets is promoted by the progressive removal of obstructions to trade;
- (g) that the benefits of modern methods of production are made available to all peoples both by the progressive removal of obstructions to trade and by courageous international measures of reconstruction and development.

The Report is not concerned, however, with these long-term aims. Its purpose is to discuss the period of transition between the end of the war and peacetime proper. Its main argument is the need to restore economic equilibrium—between pent-up demand and short supplies; between the distorted structure of wartime industry and peacetime requirements; between the distribution of wartime indebtedness and the make-up of peacetime trade. The value of the Report is twofold. First, it is written against the background of the long-term objectives already stated; that is, it never counsels the restoration of equilibrium, in any branch of economic activity, by deflationary or restrictive means; it repudiates the methods of the last post-war period. Secondly, it is based on the belief that a prosperous equilibrium can only be secured by the courage and enterprise of Governments and individuals alike in making prompt adjustments to changing requirements; by the scrapping of redundant wartime plant, if it proves inappropriate, instead of seeking to protect and maintain it; by the replacement of military by civilian demand, *pari passu*, according to a deliberate plan; by the blending of reconstruction with relief in the devastated countries "to enable them to produce and exchange what they produce and so feed and clothe themselves"; and by the restoration of multilateral trading in the framework of financial flexibility and military security. To set these recommendations against the short-sighted policies of national *saute qui peut* or the mystical notions of international economic magic that are so common nowadays is to understand the wide gap between wisdom and nonsense—and the clear choice that the statesmen and the peoples will have to make when the war is over.

Holiday Traffic

Another August Bank Holiday has come and gone, and once again, in spite of the Government's appeals, vast crowds have thronged the railway stations. This year the crowds were greatest, at least at the London termini, on the Friday; by the Saturday they had lessened considerably. It has been said that the falling away after Friday was the result of the publicity given to the inconveniences which would-be travellers would have to endure. More probably most of Friday's travellers were starting their week or

The Role of Propaganda and Market Research in Post-War Overseas Trade

It is universally recognized that the rebuilding and expansion of Britain's export trade after the war is a problem of paramount importance. Any planning to that end which can be initiated now without detracting from the war effort can therefore be regarded as in the national interest.

The war has greatly stimulated a number of major developments in marketing technique, and it is apparent that these will play an equally significant role in the development of post-war world trade. Not only has propaganda, for example, become an indispensable weapon of war and international relations. Its new powers have not been lost upon industrialists, and it is to be expected that techniques almost unknown a decade ago will henceforth form an integral feature of export marketing.

New Methods

Again, the new problems arising out of the special conditions of war have sponsored the evolution of new methods of market and economic research on the part of both governments and private enterprise.

A considerable, and in some cases a leading, part in the development of these new techniques of propaganda and methods of research has been played by the J. Walter Thompson Company.

Until the outbreak of war, we operated fully developed organizations in almost every important world market. Today, our organizations in Continental Europe, with the exception of Stockholm, are naturally dormant, and we cannot, of course, foresee what their position will be when peace is restored. But some of our personnel have escaped from France, the Low Countries, and the Balkans, and their knowledge and experience will assist in an intelligent and realistic interpretation of post-war developments in these areas.

World-Wide Organization

In the meantime, we have continued our operations, not only in Great Britain and the United States, but also in all the Dominions with the exception of New Zealand, as well as in India, Brazil, and the Argentine.

At the moment, like every other concern, we are working with a greatly reduced staff and under considerable pressure. We are, however, still able to engage in reasonable correspondence and discussion, and some of our overseas offices are able to undertake limited research and planning. We shall be pleased to exchange views on post-war export problems.

J. Walter Thompson Company Limited 6 Grafton Street, London, W.1.

BOMBAY BUENOS AIRES CALCUTTA CAPE TOWN CHICAGO
JOHANNESBURG MELBOURNE MONTREAL NEW YORK
RIO DE JANEIRO SAN FRANCISCO SAO PAULO SEATTLE
STOCKHOLM SYDNEY TORONTO

fortnight of summer holiday on that day—always a popular day for this, since it allows the bonus of a Bank Holiday. In any case, the time has surely come for the Government to reconsider its attitude to the summer holiday question. Simply appealing to people to stay at home, without doing anything to enforce it, merely means, as it has meant in other instances of wartime appeals, that the hardship falls indiscriminately—the necessary traveller is penalised because there is no system of priority in the purchase of tickets and the grant of a seat; and the resident in a holiday resort suffers from the sudden increase in the demand for food, which it is official policy to make no arrangements to meet. If people, in this fourth summer of war, feel the need for a change to the extent that they will put up with almost intolerable conditions in the way of board and lodging to obtain it—and it should be remembered that “holidays at home” are nothing but extra work for the already over-worked housewife—then the Government should allow the extra trains to be run and the emergency food arrangements to be made. The extra fuel needed for the trains could be met by reducing the amount allocated for home consumption; in any case, extra trains were run after all, if the report that the GWR cancelled one west-bound train on Saturday because there were not enough passengers to justify it is true. If, on the other hand, the Government feels that the people do not need a change, or that the war effort cannot allow it, it should take steps to enforce its decision. The excuse that the administrative difficulties of a rationing system for travel, or a permit system, would be too great became out of date at least two years ago.

* * *

The Problem of Betterment

The compensation-betterment problem tackled by the Uthwatt Committee—its recommendations on betterment were discussed in *The Economist* on November 28, 1942—has been examined afresh in a memorandum prepared by “certain members” of the Chartered Surveyors’ 1924 Club. One of the objects of the memorandum is to eliminate the element of discrimination in the Uthwatt proposals. For non-built-up areas, it will be remembered, the Uthwatt Committee’s solution was the purchase of development rights on principles analogous to those applied to the nationalisation of coal-mining royalties. For built-up areas, it proposed a periodic levy of 75 per cent on increases in annual site values. Since all previous attempts to collect betterment, due to the action of central and local governments, have failed because of the difficulty of segregating the causes of rises in values, the Committee proposed that the principle should be extended to all cases of betterment, except where the betterment is due to the owner’s own expenditure. Admittedly, a tax on betterment, irrespective of its cause, amounts to discrimination between investments in land and investments in other forms of property. Moreover, the Uthwatt Committee’s scheme does not provide compensation for loss. Set against the wider interests of the community, the objection to the Committee’s scheme for built-up areas, which also underlines the proposal for the state’s acquisition of development rights in non-built-up areas, loses much of its force. Nevertheless, any scheme which proposes to eliminate the element of discrimination in the Uthwatt proposals deserves careful consideration, provided it does not lose sight of the ultimate objective, that is the creation of the conditions for effective planning and development by the Government and by private enterprise.

**OVER 1,000 FIRES
A DAY ARE HELPING
HITLER**

Most of them are caused by matches
and cigarette ends

YOU CAN’T BE TOO CAREFUL!

A New Scheme

The solution of the compensation-betterment problem proposed by this group of chartered surveyors is, first, that betterment should only be secured for the community if it is due to rises in values resulting from planning provisions; secondly, that compensation should be paid for worsenment, but again only in so far as it is caused by falls in values resulting from planning provisions; and, thirdly, that the principle should be national in scope, and cover all land and buildings. The scheme rests on a system of five-year plans.

Planning authorities must be required to submit to the Ministry of Town and Country Planning schemes embracing all land (both developed and undeveloped) within a limited period, so that all schemes may come into force together at a fixed date. These should be framed to conform with the central planning authority’s national plan, and should have previously been the subject of a public inquiry. . . . The schemes would become final at the fixed date, but would be subject to periodic review, new plans taking effect simultaneously every five years. . . . On the occasion of a quinquennial plan, whenever the central planning authority wished to claim betterment they would give notice to the owner, stating (a) their estimate of the value of the freehold in possession at the date of the plan; (b) a similar estimate at the date of the previous quinquennial plan; and (c) the proportion of the increase attributable to planning that they claim as betterment.

Worsenment would be claimed on the same basis, and any dispute would be settled by an official arbitrator. There would be no periodic levy on betterment or compensation for worsenment; instead, lump sums would be awarded, but these would not be payable until the increase or loss in value were realised. The scheme is ingenious, and its implications merit careful study in comparison with those of the Uthwatt proposals. But in view of past experience, any attempt at segregating the causes of betterment or worsenment is likely to meet with serious difficulties. What matters most at this stage is that there should be no further delay in the preparation of definite plans enabling the community to dispose of the land in the communal interest. Increasingly it is evident that the delays and complications inherent in any attempt to achieve this end other than by vesting the ownership of land in the community make the thoroughgoing solution by progressive nationalisation, despite its magnitude, appear the most logical and effective way out.

* * *

Poor Man’s Valuer

A new voluntary social service, which has come into being since the war and because of it, is that of poor man’s valuer. It is still in its infancy, but it promises to be a valuable addition to the other agencies for giving advice to persons without means, such as the poor man’s lawyers and the Citizen’s Advice Bureaux. The Poor Man’s Valuer Association for London recently published its second annual report, which tells of its activities in negotiating various claims for damage in 1942-43. It co-operates with the Citizen’s Advice Bureaux, to which the poor in need of advice first seem to apply. The Bureaux are the usual channels of introduction, but cases have also been submitted to the Association by the Army Legal Advice Bureaux, by local authorities and by at least one social settlement. The Association’s membership consists of 458 persons, some of whom are “attendance valuers,” who attend the weekly sessions, and some “advisory valuers” who deal with specially referred cases of exceptional difficulty. Last year, most of the cases dealt with concerned the loss of private chattels, and “several very satisfactory settlements”—in the words of the report—were achieved. Another matter brought to the attention of the Association was the difficulty experienced by persons of small means in arranging for additional repairs to damaged property by private builders after the so-called first-aid treatment carried out by local authorities. The Association has referred the matter to the Ministry of Health, and urged that local authorities should assume the responsibility for extended repairs in all such cases. In this it has the support of other bodies, such as the Chartered Surveyors’ Institution, the Auctioneers and Estate Agents’ Institute of the United Kingdom, and the Incorporated Society of Auctioneers and Landed Property Agents. The work of the Association deserves high praise; it should be a model for similar activities on a national scale.

AMERICAN SURVEY

Shortages in New England

(From a Correspondent in Massachusetts)

Boston, July 19th

NEW ENGLAND, at the end of the transportation line for gasoline, fuel oil and most staple foods, has felt war shortages more than most parts of the United States. The reaction in this region to the shortages, especially of gasoline and meat, and the exploitation of them by the Republican opposition to the Administration, may well prove determining in the alignment for the 1944 election. It is only in relation to the coming election that the onslaught in Congress and in the dominantly Republican Press against the domestic programme of the Administration can be understood. This home-front revolt reached its climax in the effort to kill the subsidy programme for “rolling back” prices.

New England is normally a centre of Republicanism, and its press is wholly Republican. Isolationism is less general than in the Mid-West, but Boston was an isolationist centre until Pearl Harbour, because of the preponderant Irish element. The region has reacted strongly to scarcities, particularly when it has been possible to claim “discrimination” against New England. This is almost always possible because of the transportation problem. Meat has been scarcer here than closer to the producing centres. In July, New England stores had only one-tenth the beef supply of the year before and less than half their normal quantity of all meats. The basic gasoline ration is cut to half that of the central part of the country because no oil pipe-lines serve the north-east sector. And the pinch in fuel oil has been felt most acutely here because of the harsh climate. Last winter was the most severe in many years, though actually the fuel problem was so handled that no suffering resulted.

The various sporadic food shortages have caused inconvenience rather than hunger. But they are without precedent in a country where very recently the central economic problem was surpluses. Both political and business opposition, natively so strong in New England, have exploited to the limit the resentment against shortages. The Administration, preoccupied with the war, has done too little to explain them. The Office of Price Administration, responsible for enforcement of price ceilings and rationing, has become enormously unpopular and has become also a symbol of Federal “encroachment” upon State and individual rights. Local police have often refused co-operation in enforcing gasoline restrictions. In Massachusetts, the State motor vehicle registrar has just refused to police the highways for violations of the Federal motor excise tax.

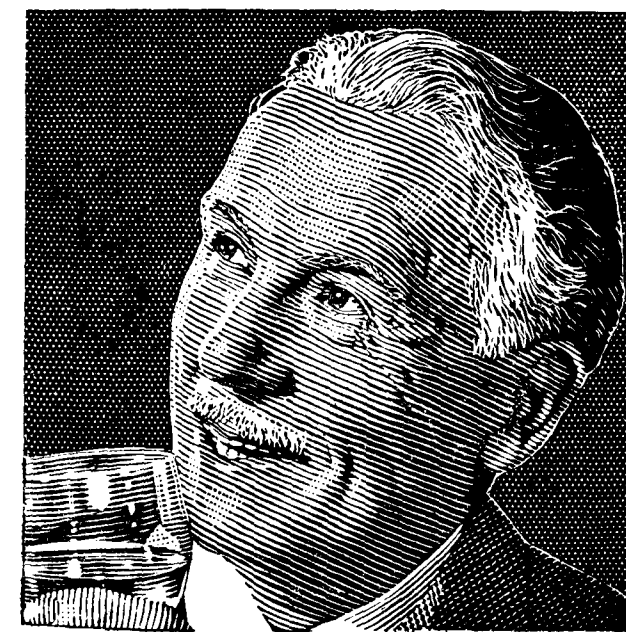
The regional institution of the New England Governors Conference, meeting quarterly to consider problems of the area, has provided periodic opportunities to organise grievances. Five of the six governors are Republicans, and one of them, Mr Leverett Saltonstall, of Massachusetts, is an aspirant for the Republican nomination for President in 1944. Their recent conferences have regularly drawn up bills of complaint to Washington against an alleged disproportion in the war burdens upon this region. Governor Saltonstall has conspicuously set up his own fuel and food administrator to “see that Massachusetts gets her fair share” of critical commodities. In neighbouring New York State, Governor Thomas E. Dewey, a more likely Presidential nominee, has created even more elaborate State bodies to deal with problems that are inevitably Federal in scope, and their chief product is criticism of the Federal administration. Out of the carefully nurtured disaffection with Federal handling of essential commodities, the Republicans have shaped a campaign against Federal “domination” of the States and Federal “interference” in State and local affairs.

This has its local implications. For it is a position calculated to carry many Irish Democrats along with the normal Republican strength. Their attitude toward the powers of

the Federal Government is essentially the attitude of their co-religionists of Quebec, whose disaffection with the Dominion Government on war issues is greater only in degree and in their greater numerical strength in Canada. The Irish were originally supporters of the Roosevelt Administration, following the big city political machines. But the New Deal has not slowed down its war programme to placate their prejudices—as, for instance, against employment of women or any compulsions on employment.

Consumer Politics

The marked dissatisfaction with domestic policies in this region was dramatically manifest in the opposition to the subsidies programme of the Government, even though this is a region of consumers who are already benefiting from the “roll-back” on meat and butter prices. The failure of the Administration to solidify consumer support for its subsidy programme, so well understood in Canada and Britain as essential for holding down living costs, nearly proved fatal in the last hours of Congress; the programme was finally saved by a single vote in the Senate. The Administration had simply not bothered to educate the public on the issue. That consumers were thoroughly misled by the Opposition press and politicians into blaming Government price controls for the beef shortage was vividly demonstrated as soon as the Subsidies Bill passed. Beef



“Here’s Luck!”

What does the connoisseur ask for in his whisky? He asks for a delicate bouquet, a velvet softness and a genial afterglow—in fact he asks for

WHITE HORSE

MAXIMUM PRICES: Bottles 25/6;—Half-Bottles 13/6

cattle immediately began appearing in the starved stock markets. The strike of cattle interests had clearly been politically motivated to defeat the subsidies. The powerful farm bloc which has benefited so vastly from farm subsidies for a decade aligned itself with affiliated business interests, partly in furtherance of conservative resistance to further Government regulation of prices and partly as a slap at labour. By delaying the introduction of subsidies until Mr John L. Lewis had made a sharp issue of rising food costs in the coal strike, the Administration made its subsidy programme a target for all anti-labour elements.

The Administration, which began ten years ago as a Farmer-Labour Government, has now lost the support of the dominant farm groups that are most effective in politics. For the 1944 election, it will be thrown back upon the support of labour, unless it can consolidate unorganised consumer interest on its side. The subsidies programme, if successful in holding back living costs, should make a most practical appeal to consumers. But the problem of reaching them, against the screen of a generally hostile press, will take more care than the Administration has been giving to the home front.

The crucial importance of winning consumers to the Administration lies in the effect upon all post-war policy of reactionary elements if they should be in control in Washington after 1944. And the weaker the hold of the Administration, the greater chance the reactionaries will have to name their own kind of candidate for the Republican nomination. These elements have gained new strength in recent months because of the unpopularity and frequent ineptitude of domestic administration, especially where it touches the citizen most closely, through food, fuel and gasoline controls. New Englanders seethe with resentment in this vacation season that they are not allowed to take their automobiles on vacation trips, even though they have saved their gasoline coupons for this purpose. When shortages accompany the introduction of Government controls it is too easy for irritated consumers to accept the criticism that the shortages are artificially induced by "interference with the law of supply and demand." This fits perfectly the campaign of business against Government regulation of any kind at any point.

New England, where shortages have been most severely felt, has proved ripe for such incitement. The Administration failed utterly to explain to consumers the fact that it was subsidising the added cost of hauling coal, oil and gasoline by rail after the submarine cut off tanker and barge shipments, and was diverting thousands of rail cars from other areas to ensure a safe supply for the east coast.

The continued success of military operations will not placate the critics of the Administration on the score of its domestic programme. The fate of the Roosevelt Administration in 1944 will probably be determined by the extent to which it can win back consumer confidence in its handling of the domestic economy this winter.

American Notes

Pie on the Cuff

The campaign for 1944 appears to have begun with the heat which it is anticipated will be its outstanding characteristic. Mr Wallace's Detroit address, and Mr Roosevelt's adroit references in his recent speech to his plans for the protection of demobilised members of the Forces, have already drawn the Republicans. There is no assurance that Roosevelt and Wallace will again be running-mates; indeed it seems unlikely. But to Mr Landon they both represent a policy of "pie on the cuff," which roughly translated means jam on credit—to-morrow. This phrase of the Kansan stylist stands out, though through no great merit of its own, from the wail of vituperation with which the Opposition greeted Mr Roosevelt's announcement that the least the Forces could expect, on demobilisation, was mustering-out pay to cover a reasonable period between discharge and the finding of a new job; unemployment insurance; an opportunity for further education or training at Government expense; credit under the social security laws for the period of their service; sufficient pensions for the disabled; and improved provision for hospital and medical care. This evidence of the President's renewed interest in domestic affairs has been rather wildly interpreted by the Opposition as a "fourth-term bid." Mr Landon's broadcast was aimed primarily at the Wallace plan for a fuller democracy, and at his condemnation of scarcity economics and

"American Fascists," a plea which received less than its due in Mr Landon's characterisation of it as "a preview of an arbitrary bureaucracy under the New Deal gone to seed... resulting in Nazism or Fascism." There was much good sense as well as picturesque phraseology in what Mr Wallace had to say about the slaughter of baby pig iron which accompanied, but received so much less notice, than the slaughter of baby pigs in 1933. Unless the Republican party can produce a more constructive response than squeals of rage it will prove itself bankrupt of ideas.

Super-State

Despite the unpopularity of the State Department with certain groups of American opinion, recent signs have pointed to the growing absorption by Secretary Hull's department of many independent Government agencies acting in the foreign field. There has now been established in the Department, at the President's direction, a new Office of Foreign Economic Co-ordination, "to assist the operations of American civilian agencies in areas liberated from enemy control." Co-ordination of the activities of agencies like Lend-Lease, Foreign Relief, the new Office of Economic Warfare, and the Treasury, War, and Navy Departments will be achieved by OFEC—through two inter-departmental committees, of which the State Department's Mr Dean Acheson will be chairman, and through Area Directors, named by Secretary Hull, who will provide direction and co-ordination to the economic agencies in their respective areas. The individual agencies will continue to conduct their own affairs in liberated territory, but their policy and contacts will be under the single control of the State Department. A more sensational development in the affairs of the Office of War Information suggests that the time may not be far off when that organisation's foreign branch may be brought under the watchful eye of Secretary Hull. Foreign broadcasts by OWI at the time of Mussolini's resignation have caused an outburst of indignation on all sides. The President's public rebuke makes it unlikely that he will go to great lengths to protect OWI from demands for a shake-up; and it is probable that OWI's foreign service may be subjected to day-by-day scrutiny by the State Department, which may argue, with some justification, that irresponsible foreign broadcasts imperil its conduct of foreign affairs.

The Cost of War

The President's interim Budget summary, issued last week, brings up to date the basic figures of the cost of the war—and of the potential inflation. More detailed estimates, both of expenditures and receipts, for the year ended June, 1944, than were possible last January, show that total Federal expenditures will reach \$106,000 million in the coming fiscal half-year, excluding debt retirement and trust fund disbursements, with receipts, under present tax legislation, at only \$38,000 million. Total commitments for the war programme since July, 1940, amount to \$344,000 million, although so far only \$110,000 million were actually spent up to June 30th; and Congress has authorised another \$98,000 million for the coming fiscal year. The public debt, which, excluding the obligations of Government corporations, stood at \$137,000 million on June 20th, is expected to reach \$206,000 million by June 30, 1944. Such expenditures represent, as the President pointed out last January, a national effort of gigantic magnitude. But he was at even greater pains last week to point out that, without appropriate action by Congress, they might have a disastrously disruptive effect upon the home front. His warning took two forms. These gigantic estimates themselves, he said, might prove too small if wages rise or the cost of living is not stabilised, for they are based on current pay and allowances to the Armed Forces and current wage and price levels. In his conclusion, he pointed out that 1944—over twice what they were in fiscal 1940—and with declining stocks and production of civilian goods, price and wage controls would break down unless they were supported by the "truly stiff" programme of additional taxes and savings recommended last January. This called on Congress to produce \$16,000 million of additional revenue. Congress, however, at least before its recess, appeared convinced that taxes have been pushed as high as is politically feasible, and unless its contact with the grass roots produces a change of heart, Mr Roosevelt's arguments are likely to be remembered, not as a prelude to action, but merely as one more signpost on the road to inflation.

THE WORLD OVERSEAS

Adjustments in Hungary

(By a Correspondent)

AMONG the countries dominated by the Axis, Hungary has been particularly susceptible to political trends in Italy. The reaction to the fall of Mussolini seems to have been profound. In spite of the great influence exerted by Germany as well as by Italy, there emerged no totalitarian party in Hungary strong enough to suppress the activities of other parties. Political differences are still aired, and changes in Government and Ministers have been frequent, with a consequent lack of clear direction and powers in Hungary's war economy. There is no doubt that Germany's demands for military support overtaxed the country's strength. The war effort was hampered by the predominantly agricultural character of the country. Hungary's first Five Year Plan, which aimed at greater industrialisation mainly for the sake of rearmament, came to an end in June, 1943. During the five years from June, 1938, to June, 1943, the number of industrial workers increased by almost 100 per cent. Wartime necessities quickened the pace of industrialisation without allowing adequate provision for the reform of Hungary's agriculture.

During the spring of 1943, it became apparent that Hungary's economic situation needed adjusting if a serious deterioration were to be prevented. The first concession was the return of the remnants of the army that had fought in Russia. Yet, after a short time, there was talk about organising and equipping a new army, and it may be assumed that this demanded a drastic overhaul of the war effort. Ever since the beginning of the war, there had been only piecemeal regulations, apart from the general concerted drive against Jews—in agriculture, industry and trade.

During the application of the Five Year Plan, and particularly under war conditions, Hungary's economy developed considerable discrepancies, which found their expression in the growing shortage of agricultural workers, in rising prices and in widespread black market activities. Unemployment virtually disappeared, but the standard of living declined at the same time.

Against this background, the different parties in the semi-parliamentary regime were vocal in discussing all kinds of reform. The prorogation of Parliament for an unspecified time at the beginning of May was due to the need to establish a unified political and economic command. The parties, however, retained their restricted freedom, and the discussion about economic reforms continued.

The Government has now made an attempt to reorganise the control of the country's economy. A comprehensive system of decrees, regulating production, requisitioning, distribution, prices and wages, came into force on July 1st. It is, in effect, an attempt to organise a totalitarian economy centrally directed by a War Technical Committee. Szasz, the Minister for Supply, explained that the "steering of the economy" should not be considered merely as a wartime necessity, but as a permanent principle of economic policy. General economic policy thus shows a very strong German influence. The basis of this policy is the compulsory delivery of agricultural products by a system of fixed quotas. Insufficient deliveries were obviously the main cause of the black market. As compensation for the introduction of compulsory deliveries, agriculture was allowed an increase in wheat prices amounting to 33½ per cent. For three years there had been no change in wheat prices, which are at present exactly 100 per cent above the price of August, 1939. Similar increases have been decreed for all other agricultural products, with the result that new prices had to be fixed for other commodities. The most important increases are as follows:

	Percentage Increases
Bread	28
Sugar	25
Meat and fats	20-40
Milk	30
Industrial articles	30-40

These changes have been called the final measures in the recapture, for the duration of the war, of the harmony in the price system, and they led to a general increase in wages. The wages of workers in the munition industry can be increased by 30 per cent. The money wages of agricultural workers were also raised by 30 per cent, and similar rises were granted to all other categories of wage and salary earners. It seems that these changes have been fixed arbitrarily, because it is impossible to obtain a clear picture of the price level in the country. Black market prices may have given some guidance as well as the official price indices. During 1938-39, the prices indices remained relatively stable, but have risen as follows under war conditions:

		(1929=100)		
		Wholesale Index		Cost of
End of Year	Total	Agriculture	Industry	Living
1938	85.0	72.1	92.6	87.0
1939	89.2	77.8	96.0	87.1
1940	108.7	108.1	108.7	100.1
1941	137.4	129.4	139.6	120.7
1942	159.2	151.8	167.0	131.2

By April, 1943, the wholesale price index had reached 167.6 and the cost of living index 156.9. The new prices will probably bring the index to roughly 200, that is, an increase amounting to more than 100 per cent since the beginning of the war. It will be seen from the table that the main problem has been the so-called price-scissors between agricultural and industrial products. In 1940, agricultural prices advanced to such an extent that the difference diminished considerably, but the scissors opened again, and now another attempt is being made to close them. There is no doubt that the former programme of industrialisation, which aimed at the expansion of heavy industries, and war conditions, leading to a steady decline in the supply of industrial articles, will soon destroy the new and arbitrary price harmony.

Decline in Real Wages

According to the index, wages have kept pace with the increasing cost of living, and it is estimated that, since the beginning of the war, wages have increased on an average by 60 per cent. Even official sources, however, admit that real wages are appreciably lower. This is the result not only of smaller agricultural supplies, because of a series of bad harvests, but also of the inefficient rationing system. Workers in big towns have been told that the increase in the price of bread is really to their advantage because it allows a bigger bread ration—seven ounces per day, against only 5.6 ounces before July. This, it is stated, will put an end to the need to buy additional foodstuffs in the black market.

The so-called reforms do not end with simple price and wage increases. It is the admitted aim of the greater increase in prices to prevent the accumulation of excess purchasing power, and it is bluntly stated, after a long period of steadily declining real wages, that further sacrifices are necessary. At the same time, taxes and excise

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.

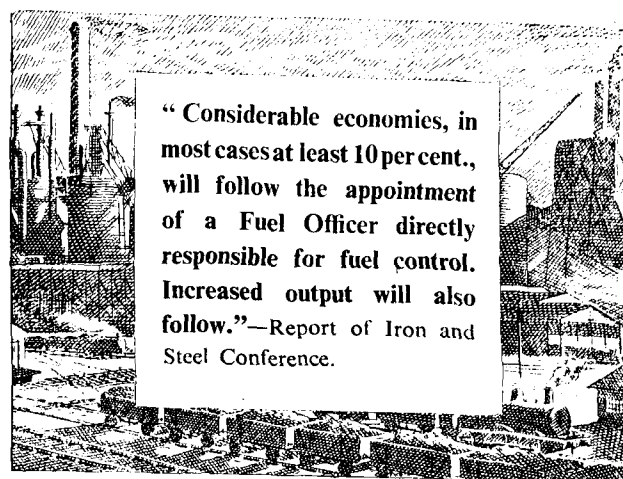
Trusteeships and Executorships Accepted.



THE MINISTER OF FUEL & POWER SPEAKS TO FACTORY MANAGEMENTS

"New battle fronts mean new fuel consumers. We must make even greater economies in the next twelve months. Industry's contribution may well prove decisive because Industry can make the biggest savings."

HERE IS AN INDICATION OF WHAT CAN BE DONE:



THE MANAGER, THE TECHNICIAN and the OPERATIVE are the three partners in the industrial machine. Each is essential to its operation. But the Manager is the driving force; the others cannot act without him. It is he who must start the industrial machine moving. If you have any part in the management of an industrial enterprise, your duty is clear. You must secure the maximum fuel economy by

★ instituting a fuel watcher system.

- ★ overhauling the use of fuel in your works.
- ★ asking for the help of the Ministry's experts.
- ★ arranging for your engineers and operatives to attend the Ministry's lectures and demonstrations.

Write to the Secretary of the Fuel Efficiency Committee in your Region for technical information, for details of fuel courses, or to arrange for the inspection of your works by an expert. All these services are free.

The Ministry's Regional Offices are at:—

GLASGOW · NEWCASTLE · MANCHESTER · LEEDS · BIRMINGHAM
NOTTINGHAM · CAMBRIDGE · CARDIFF · BRISTOL
READING AND LONDON

ISSUED BY THE MINISTRY OF FUEL & POWER

duties have been considerably raised, and in addition to a rise in passenger rates, the railways have advanced freight rates by 25 per cent. All this is done with the declared purpose of preventing inflation. The actual situation is, however, so confused that at the same time official sources explain that this decreed reduction in the "value of money" will lead to a return into circulation of hidden capital and hoarded banknotes. It would be more appropriate to say that prices are entirely arbitrary without regard to the cost of production. If the economy were organised effectively, if the administration were able to enforce these arbitrary prices, then economic activities could be maintained for some time. Actual conditions are, however, very different. The official price level has been moved nearer the prices of the black market. The greater restrictions placed on political activities consequently led recently to the interesting phenomenon of the political parties, particularly the party of the small holders in agriculture, trying to organise the peasants by rival co-operatives. The Government, on the other hand, is forced to assume direct control of the harvest as well as the threshing of the grain in order to ensure a minimum supply for the towns.

Labour Policy in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

UNTIL the end of 1940, the Palestine Government's relations with employers and workers were somewhat haphazard and were generally confined to the particular departments which had business contracts with industrial concerns or employed labour on a considerable scale. Labour legislation was limited to the provisions in respect of compensation for industrial accidents, the employment of women and children, the fencing of machinery and sanitation in work places; but these laws were enforced rather indifferently, so that real protection to workers was afforded only by their own organisations. The spectacular development of trade unions in the Jewish community has resulted in the building up of an important system of relations, whether between workers and employers or workers and workers, which, for all its lack of legal sanction, has acquired great force by usage and tradition. At the same time, Arab labour failed to organise, being still for the most part recruited from the fellahen in search of subsidiary sources of income. Wages of Arab workers consequently remained comparatively low and their working conditions primitive. Nevertheless, it was the Arab standard that was accepted by the Government as a basis for wages in public works. And picketing was made an offence in conflicts between workers of different nationality.

With the expansion of local industrial activity in recent years, labour matters increased in importance, and a more active policy became necessary for the maintenance of the war effort. The number of industrial accidents increased rapidly; labour disputes grew in importance from year to year—the man-days lost through them in 1942 were ten times greater than in 1938; the large demand for skilled and semi-skilled workers called for the intensification of vocational training; and Arab industrial labour became a social factor which could no longer be overlooked. A labour adviser was consequently appointed in 1941, and in the following year a special Labour Department was established, whose primary function is to be "the introduction of regular and systematic inspection of all workplaces with a view to establishing healthy and decent conditions and to reducing accidents to a minimum." A former trade union secretary was sent from England "to assist Arab labour groups to organise themselves into properly constituted associations." Under a scheme sponsored by the Labour Commissioner, some hundreds of workers are being trained for industrial jobs. Moreover, by the Trades Disputes Order, official machinery for negotiation and arbitration was established, and stoppage of work was disallowed whenever the Government intervened.

From the 150 labour disputes (with 11,800 workers involved) recorded in 1942, the first year in which the Order was in force, the Government intervened in 47 cases (with 3,110 workers involved). Of these, 28 were illegal under the provisions of the Order, and a few prosecutions took place. Fourteen disputes were passed to the Arbitration Board, while the rest were settled by direct negotiation or by non-official arbitration. In most cases, a compromise settlement was reached, and there are indications that Government intervention is now serving as a brake on trade unions' demands; at the last convention, the council of the Histadruth (General Federation of Jewish Labour) decided to

prolong its co-operation with the Government scheme for another trial period. There are, however, signs of growing opposition; and particular resentment is felt against the "freezing" of labour, engaged in essential departments and plants, which was introduced by the Government in recent months.

Wage Demands

Among the causes of labour disputes during the war years, demands for higher wages and like matters have predominated. This is small wonder in view of the continuous rise in the cost of living, which, as measured by the Jewish Agency's Index, reached 220 in March this year (August, 1939 = 100). Already in December, 1940, when the cost of living index was at 130, an agreement was signed between the Palestine Manufacturers Association and the General Federation of Jewish Labour, providing for an allowance of 20 per cent (in some industries 15 per cent) on all "basic" wages up to £P16 per month. With the subsequent further rise in prices, these allowances were also increased up to 45 per cent in January, 1942, when the index was at 175. Then, however, the War Supply Board, concerned at the effect of these rises in wages on the cost of living and the cost of manufacture, set up a committee to examine the question. As a result of this investigation, it was agreed that the allowance should be equal to 80 per cent of the rise in the cost of living index, and that the "basic" wage should be lowered to £P8.5.

This new system was evidently framed to favour the lower-paid workers, that is, the unskilled and the Arab workers, and by its tendency to equalise the rates of wages it tends to discourage the higher-paid artisans as well as the workers paid at piece rates. It has been calculated that, at the present price level, the loss in real wages is about 11 per cent for an employee receiving £P8.5 per month, but about 31 per cent for one receiving £P16, and the difference tends to increase with every further rise in prices. The discrimination is still greater for the civil employees of the Army, numbering about 50,000, and for the civil servants; both classes are subject to different schemes, in which the maximum amount of allowance is calculated not to exceed £P4.5 per month. The inroads into living standards which have been forced upon Government servants are indeed far too severe.

In view of the widespread dissatisfaction, another Wages Committee was appointed by the High Commissioner. Though a statement was published by the chairman of the War Supply Board, pointing out the dangers of further rises in wages and the threat to the future of industry in Palestine, the Committee's recommendations include some concessions to the workers' demands. They propose to increase the rate of the cost of living allowances on the "basic" £P8.5 per month (340 mils per diem) to 90 per cent of the rise in the index, and to add an allowance, at the rate of 40 per cent of the rise in the index, to wages from £P8.5 to £P10.5 per month (320-420 mils per diem). An alternative scheme of allowances on a family basis is recommended for civil servants, which provides, at the present price level, for a maximum allowance of about £P9-10 per month. The introduction of the new scheme in the Jewish industry will entail an increase of 13 per cent in the wage bill, but the Committee's report urges the Government to take "drastic action of some sort" to stop and to reverse the continued rise in prices. Meanwhile, however, both Government officers and civil employees of the Army are urging that the new allowances schemes should be put into effect and the rise of commodity prices continues unabated.

Foreign Companies in Portugal

[FROM OUR LISBON CORRESPONDENT]

June 30th

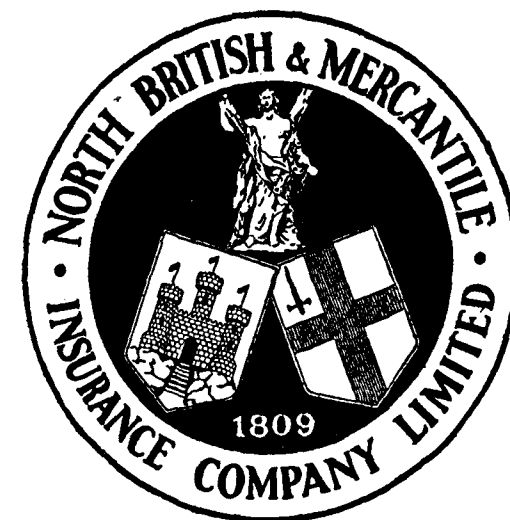
ALTHOUGH no new official statement has appeared about the nationalisation of those foreign companies in Portugal engaged in the supply of public services, or which might, under determined circumstances, affect the security of the state, there is reason to believe that this complicated matter has been, unofficially, set aside until a more convenient season. It is pointed out in commercial and industrial circles in Portugal that, even if the urgent necessity for such legislation were accepted, many of the conditions laid down in the finished draft as passed could not be put into practice without

serious harm to the very object the measure was designed to protect, namely, the regular functioning of vital public services in times of emergency or unpredictable difficulties. The tasks confronting the Portuguese Government at this present moment are many, complex, and, in a sense, delicate. Rationing, though not actually in force, is being systematically studied. It will be no easy matter to gather the data necessary to the imposition of a system at once effective in controlling stocks and equitable as regards their distribution irrespective of classes. Thus while the nationalisation scheme may have been launched with the very best intentions, many Portuguese business men feel that the time was ill-chosen and now applaud the obvious intention of the authorities to let sleeping dogs lie.

Post-War Currency

Discussion of the British and American currency plans has been followed intently by Portuguese economists. A recent article in the *Jornal do Comercio* emphasised the importance of many points in both the Keynes and the White proposals which impinge directly upon Portuguese conditions, particularly regarding the linking of foreign exchange and export prices. Until two years ago, Portugal's trade showed a debit balance; the country is the first to admit that the switch-over to a substantial credit is but temporary and due to an abnormal demand for certain export items formerly of little account in the year's balance sheet. Nor will the credit balance last very long should such items return to their pre-war valuation.

All the staple exports of Portugal are in a sense "cheap" goods. For, in normal times, wolfram and tin are negligible in value, while cork, sardines, and olive oil fluctuate considerably both as regards price and world demand. It has been suggested that emigration, fostered with due regard for both the present and future welfare of individuals and families, would in course of time establish a slowly expanding stream of invisible exports. But that is a long-term aid to the solution of what threatens to be a somewhat knotty problem. The present government has consistently lived within its income for seventeen years. Will that task be as easy when receipts are showing a sharp decline, whereas the cost of living is still near peak figures, which are at the very least 50 per cent above those ruling in the years before the world war began?



*Security
and
Service*

61 THREADNEEDLE STREET, LONDON, E.C.2
64 PRINCES STREET, EDINBURGH, 2

THE BUSINESS WORLD

Life Assurance

TWO White Papers of major importance to life assurance were published last year. One—the Kennet Report on manpower—dealt with its wartime organisation; and the other—the Beveridge Report on the social services—raised far-reaching post-war issues. On ordinary life insurance the Kennet committee expressed the view that, while it was desirable to maintain facilities for taking out life policies, there did not appear to be any need for special stimuli by advertisement and salesmanship; it recommended the elimination of staff engaged wholly or for a substantial part of their time in the quest for new business. A similar recommendation was made for industrial assurance, but the implications in this case were less severe, because the industrial offices (subject to certain measures for economising manpower and to restrictions on the right to engage new labour) are allowed to maintain substantial staffs of outdoor collectors, who are of course available, incidentally, for getting new business. This difference in treatment is largely inherent in the nature of the two businesses, but involves a measure of discrimination which may well influence somewhat the distribution of new business between the two groups of offices.

Apart from the proposal to nationalise industrial assurance, which Sir William Beveridge made optional, the Beveridge Report contained two recommendations which have been accepted by the Government and will tend to raise the working costs of the industrial offices in the period after the war. The first recommendation is for a universal death grant and will presumably mean the cancella-

tion of a large number of the voluntary funeral benefit policies at present in force, with a consequent spreading of fixed costs over a smaller volume of business. The second recommendation is to abolish the approved society system of National Health Insurance, and unless means can be found of retaining the industrial approved societies as agents, the new scheme will lead to a reduction in collectors' incomes, which the offices will find it necessary to make good in other ways. The consequently increased need for some rationalisation of the industry was discussed in an article in *The Economist* on May 15th.

The industrial offices have been quick to express their sympathy with the general objects of the Beveridge Report, while at the same time maintaining that these objects can be better secured through existing channels than by the creation of new machinery. The bracketed proposal in the Beveridge scheme for a State Board to take over the whole of industrial assurance has not, for the time being at least, been accepted by the Government, so that a further opportunity is given to private enterprise to place its organisation on a more economical basis. The ordinary life offices were not directly interested in the Beveridge proposals, except in so far as the State Board, if approved, would have had power to transact ordinary business for sums assured up to £300. How far both industrial and ordinary offices will be indirectly affected by the increased widows' and old-age pensions is difficult to say; logically these should diminish the need for life and endowment assurance, but in practice they may stimulate interest in the subject of provision for dependants and old-age, since even the increased pensions now envisaged only provide for the minimum needs of the poorest members of the community.

New ordinary life assurance transacted in 1942 showed a further recovery from the very low levels of 1940 and amounted to as much as two-thirds of the pre-war (1938) figure. This overall proportion covered variations according to the type of office organisation. The industrial-cum-ordinary offices, with outdoor collecting staffs, fared better than the ordinary offices, and within the latter group the composite offices, which have needed to maintain adequate branch offices to deal with fire, accident and war damage insurance, have been in a stronger position than the specialist life offices, which have been forced to close some of their branches. As in previous years there were also considerable variations arising from new business policy. Some offices have gone out to attract enquiries by offering to cover civilian war risks without additional premium or by issuing special savings bonds policies; others have considered that the interests of existing policy holders can best be served by discouraging new business so long as the outlook remains uncertain. That a general recovery has occurred in face of a progressive reduction in sales activity is remarkable, and may be ascribed to a number of factors, important among which have been the increasing certainty of an Allied victory in the war and the large volume of purchasing power in the hands of the public. It is believed that the recovery has been continued in the first half of 1943, notwithstanding the implementation of the Kennet Committee's recommendations. The opinion has been expressed that expenditure on life assurance of money which might otherwise find its way into war savings is undesirable. It is true that a large part of the first year premiums is absorbed in expenses; but saving through life assurance has the merit of being automatic and not subject to abrupt termination on the conclusion of hostilities, when the risk of inflation must inevitably be serious. A highly satisfactory feature offsetting the reduction in new business activity in comparison with pre-war totals has been the very low level of surrenders; this is common to both ordinary and industrial assurance and is largely associated with Government measures for meeting the fixed charges of members of the Forces.

The year 1942 also brought a further appreciation in the value of investments held by the offices as security for contracts. Many chairmen were able to point to substant

margins between market and book values, which should prove a valuable buffer against post-war depreciation. As in the earlier war years, all new funds were invested in Government securities and the ratio they bear to total assets rose correspondingly. Mr E. E. Bird, the chairman of the Legal and General, informed shareholders that this ratio, which had been 16 per cent in 1939, became 21 per cent in 1940, 28 per cent in 1941 and 33 per cent in 1942. Disappointment has sometimes been expressed because the addition of Government securities to holdings in any year is less than the annual premium income. This, however, must be so, because the amount available for investment is limited to the addition to funds—roughly equivalent to premiums and interest less claims and expenses—plus the proceeds of repayments and requisitions. In the absence of new premiums substantial disinvestment would take place.

The steadily increasing ratio of Government securities (yielding a net interest return, after deduction of income tax, of less than 2 per cent) to total assets brought to the majority of offices a further decline in the average net rate of interest earned on their funds. An aggravating feature mentioned by one office has been the repayment of loans by borrowers or their replacement by loans bearing lower rates of interest. On the other hand, one or two offices with substantial property investments have been able to show an improvement in yield. The continuous decline in the average net interest rate is a serious matter, for it is now below the rates assumed in calculating premiums on many pre-war contracts. To ease the position, Mr G. F. Hotblack, the chairman of the Atlas, made the original suggestion at the annual meeting that the Government should free income from Government securities from taxation, in so far as they exceed, say, 5 per cent of the life funds; in other words, the Government should make tax-free the income from that part of the offices' funds invested in Government issues which would normally be allocated to higher-yielding investments. An alternative proposition put forward by Mr Hotblack was that the standard rate of income tax for life funds, which was fixed in 1940 at 7s. 6d. in the £, since when the net rate of interest has fallen, should be reduced.

Of the other factors affecting the profit-earning capacity of the offices, mortality from normal causes was again remark-

ably low, both in ordinary and industrial assurance. This favourable experience was in most cases more than offset by the effect of war deaths, and some offices had to record a loss on mortality, but the majority are still able to point to aggregate deaths "within expectation." It will be recalled that nearly all policies issued before the war by the ordinary offices covered war risks; the policies of the industrial offices contained an exclusive clause, but by arrangement with the Government this has been waived. The practice in relation to policies issued since the war varies; some offices cover civilian war risks without extra premium, but the majority charge a moderate addition. The expense ratios of the ordinary offices were again slightly lower than before the war, owing to the reduced new business activity and the lower volume of surrenders; but the ratios of the industrial offices remained high on pre-war standards; the offices are making allowances to members of their regular staffs serving with the Forces and have also to meet the cost of the temporary assistants engaged.

The net effect of these changes has been a substantial and continuous reduction in the earning capacity of the offices, attributable chiefly to the decline in the average net yield on their investments and partly to a loss or diminished profit on mortality—and only slightly modified, in the case of the ordinary offices, by lower expense ratios. This has been reflected in the very much reduced surpluses emerging from valuations, in comparison with the profits in pre-war times. In the circumstances the offices have, in general, refrained from making bonus distributions, and have utilised surpluses to strengthen the valuation bases, or carried them forward undistributed until after the war, safeguarding the interests of claimants meanwhile by paying interim bonuses on death or maturity. Some offices have recently shown a tendency to depart from the stricter standards of the earlier war years and pay moderate reversionary bonuses. But in view of the downward trend in the average yield on investments and the possibility that the offices may yet have to meet serious losses on mortality, the policy of the majority is undoubtedly the sounder—especially as it carries the further justification that an addition to purchasing power remains undesirable in the national interest.



RISEING VALUES

Is your present sum insured adequate?

LAW UNION & ROCK

Insurance Company Limited,

7, Chancery Lane,
London, W.C.2.

A.M.P

The Largest British
Mutual Life Office

Assets Exceed

£141,000,000

**AUSTRALIAN MUTUAL
PROVIDENT SOCIETY**

(Established 1849 in Australia)

73-76, KING WILLIAM STREET, LONDON, E.C.4

War-time Address:

"TARNMOOR," HINDHEAD, SURREY

Figures that reflect CONFIDENCE

THE 1942 Report of the Canada Life Assurance Company again shows progress, expressed in terms of increased figures, in all the important aspects of the Company's activities. For ninety-six years this great office has served faithfully an evergrowing section of the community both at Home and Overseas, and to-day it is contributing to the war effort to the fullest possible extent. The following figures are extracted from the 1942 Report, a copy of which will be sent on request.

Total Business in force . . .	£157,106,000
Assets increased to . . .	£60,099,200
New Policies issued for . . .	£9,940,300
Payments to Policy holders . . .	£4,987,200
Surplus Funds & Special Reserves	£2,942,800



Incorporated in Canada as a Limited Liability Company
ESTABLISHED 1847

WAR EMERGENCY OFFICES
HAZLEMERE, HIGH WYCOMBE, BUCKS

Britain's War Debts

THERE is little fear that the task of economic reconstruction after this war will be unduly hampered by a tangle of inter-Allied war debts comparable with that which proved so fruitful a source of economic and political friction after 1918. The devices of Lend-Lease and Mutual Aid are evidence of progress in economic education among the United Nations, and whatever method may be devised for the ultimate settlement of the colossal transactions taking place under these heads, the parties concerned have been assured that it will not be allowed to injure the equilibrium of international trade and payments or the progress of economic recovery. While this may be true of Lend-Lease and Mutual Aid transactions, it must not be forgotten that these do not by any means cover the whole of inter-Allied payments and obligations arising out of the war. It would be dangerously complacent of Great Britain to dismiss the problem of war debts as one of historical and academic interest, for this country has, since the beginning of the war, been in process of building up the largest external debt accumulated by any belligerent—not even excluding Germany and its clearing debts. This debt is made up of the sterling assets which other countries have acquired as a result of their trade and other transactions with the United Kingdom. It represents part of the overseas disinvestment which, in the three years 1940 to 1942, is estimated to have contributed £2,185 million to the sources of British war finance. Part of that disinvestment represents the loss of gold and marketable foreign investments. The part which can properly be described as Britain's war debts is the sterling accumulating here to the credit of the countries to which Britain is for the time being in debt on current account. The bulk of the amount is owed to Empire countries which are in the sterling area, and which therefore follow long-standing precedents in leaving the temporary surpluses of their balances of international payments as balances and short-term assets in London, but which now do so for another reason—namely, that they have no alternative. So far as they can be ascertained, these sterling balances and assets are given below for the latest dates for which relevant figures are available, and this growth is shown by the accompanying chart.

	£000's	Date
India	500,000	July 16, 1943
Eire	121,458	March, 1943
Canada	157,300*	Now
Egypt	71,200	Dec., 1942
Malaya	58,000	July, 1941
Australia	64,000	May 31, 1943
New Zealand	34,000	Feb., 1943
Argentina	17,500	Dec., 1942

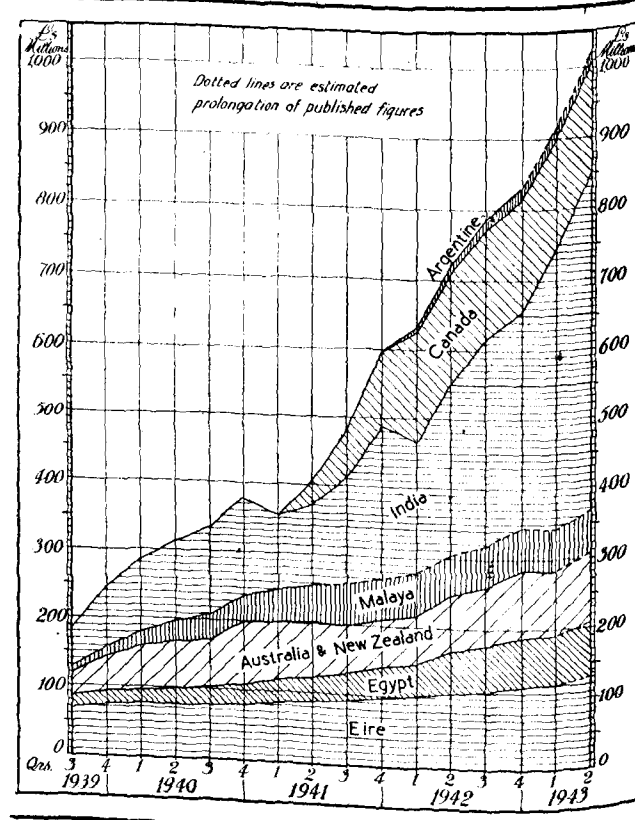
*Interest-free loan.

When to these are added the amounts held for various Colonial currency boards, those accumulated in special accounts (other than Argentina, which is included in the tabulation) and those held for countries in the Middle East, the total of such sterling indebtedness easily exceeds the £1,000 million mark. What is more, the total is still growing, and growing faster now that the possibilities for debt repatriation by the countries concerned are nearing exhaustion. The sterling owed to India, which dominates the whole position, increased by £227 million during the twelve months to July 3, 1943, while over the same period long-term Indian sterling debt was repaid to the amount of some £105 million. This brake on the accumulation of sterling resources by India has now been virtually removed, since the repatriation of all but £12,250,000 of the sterling debt has been provided for. Given no alteration in the balance of payments and in the financial agreement between the Indian and UK Governments, these sterling assets piling up to the credit of the Reserve Bank are likely to rise by an annual increment of about £300 million.

It must not be assumed that the whole of this debt which the British Government is accumulating is in a dangerously liquid form, awaiting the first opportunity to make its getaway. For example, the Canadian interest-free loan of £157,300,000 will be treated in the spirit of reasonableness and generosity which has characterised Canada's financial relations with this country. It may well provide the counterpart for a further repatriation of Canadian securities held by British investors. In the case of India, the

total of sterling assets covers, in addition to abnormal balances and investments of the Reserve Bank's banking department, the reserve for its note issue, which is unlikely to be withdrawn. Eire's claims on the United Kingdom also represent in part the reserve for legal tender notes, and for the rest are made up of the excess of the Irish banks' UK assets over UK liabilities. This surplus can hardly be regarded as "bad money" from the UK point of view. Under certain provisions of the new Central Bank Act the Irish banks could be compelled to move part of this surplus to Eire; but this "removal" could hardly take any other form than a simple transfer of ownership of the sterling assets from the commercial banks to the Central Bank. The bulk of the Egyptian sterling assets is also the backing for the note issue. As for Australian and New Zealand sterling assets, their recent growth is a welcome evidence of financial recovery in these two countries, and has merely restored a reasonable reserve of London funds against the inevitable fluctuations of their overseas payments account.

But even when liberal allowance is made for the fact



that some of this sterling debt is of more or less permanent character, enough of it is potentially mobile and straining at least to create a serious problem—one which cannot be left out of account in considering the question of post-war exchange stabilisation. Even the more permanent part of the debt—the currency reserves of India and Egypt, for example—could under easily conceivable circumstances become highly volatile. A financially autonomous India might show a strong and inconvenient preference for gold rather than sterling as backing for the rupee note circulation.

It is admittedly no new thing for the United Kingdom to be a debtor on short-term account to the rest of the world. But in the past such debt has been comfortably covered—indeed submerged—by longer-term investments. That offset will in large measure have disappeared by the end of this war. This novel appearance of Great Britain in the rôle of an uncovered debtor on short-term account will be part of the conjuncture with which the world will be faced at the end of the war, and its implications, however unpleasant, should be faced now. The problem is considered in the British, American and Canadian schemes for post-war exchange reconstruction. Both the Keynes and the White plans propose to deal with this question as a single problem of "abnormal balances" and to provide for its solution by means of their respective international

clearing organisations. The Keynes plan admits that a country in which a large volume of foreign balances has accumulated during the war will not be able to afford the risk of having to redeem these balances in bancor on a substantial scale. At the same time, the plan adds "it is very desirable that the countries owning these balances should be able to regard them as liquid." How are these incompatibles to be wedded? It is suggested that, for a transitional period, such balances should, through the aid of the Clearing Union, remain liquid and convertible into bancor by the creditor country, while there would be no corresponding strain on the bancor resources of the debtor country. Coming from the principal debtor, this is perhaps asking rather a lot. The suggestion is certainly in keeping with the professedly expansionist trend of the Keynes scheme. But more than any other proposal in that scheme, it seems calculated to frighten and deter the likely surplus countries on which the immediate task of liquefying these debts would fall. The White scheme, however, is hardly less helpful to the debtors owing abnormal wartime balances. It goes into much greater detail than the White sweep of the Keynes plan's generalities, but the ultimate effect is the same: the abnormal balances are to be transferred to the Stabilisation Fund and then repurchased—40 per cent by the creditor and 40 per cent by the debtor over a period of 20 years. Both creditor and debtor will pay charges in gold at 1 per cent per annum on the balances still to be repurchased by them. The Canadian experts' proposals are rather less sweeping. They suggest that for two years the Union should have the right to purchase abnormal balances held within its membership in amounts not exceeding 5 per cent of the quotas of all member countries. After two years a more permanent plan for the gradual liquidation of these balances would be introduced.

It may seriously be questioned whether this "global" approach to the problem of abnormal balances—which in substance is the problem of sterling balances—is the correct one. As has already been indicated, these balances are far from homogeneous. Some, such as those held for Australia and New Zealand, even though they may be larger than usual, will in the ordinary course remain here as a sterling reserve against the inevitable fluctuations in those Dominions' balances of overseas payments. Others, such as those held on South American account, especially for countries which have been treating British capital permanently invested in them with some lack of consideration, may come in very useful in debt negotiations with the countries concerned. The debt to Canada is, obviously, in a category apart. So is that with India. It follows from this diversity that the problem of these abnormal sterling

balances could best be tackled by separate agreements with each country concerned. The process might seem less tidy and orderly than that envisaged in the British and American currency schemes, but it would certainly be more realistic.

The dominating issue in the whole problem must be that of India's sterling claims. The generosity of the financial agreement between the two Governments which has led to the present enormous accumulation doubtless reflects credit on British intentions. But its lack of realism is none the less deplorable. Not only has the operation of this agreement revolutionised the debtor-creditor relations of the two countries, but it is bestowing on India one of the most pronounced inflations experienced by any belligerent country. At the rate at which the debt to India is growing it will, within another year, get within sight of £700 million. At the end of the war there may be some scope for its reduction by further transfer to Indian ownership of British capital invested in India. For the rest there will have to be a funding arrangement allowing the British debt to India—a debt largely incurred in the defence of India—to be repaid over a number of years by the only feasible method: an excess of exports to India over imports from that country.

The task which Great Britain will face in settling the debt represented by the accumulation of abnormal sterling balances will be no light one, whatever may be the technical approach to the solution of the problem. It must not be forgotten that in the decade prior to the war the balance of payments of the United Kingdom showed an annual average deficit of £13 million. After the war the country will have been deprived of the greater part of the invisible exports represented by income on overseas investments and by merchanting activities, but for which (other things being equal) the deficit would have averaged some £200 million to £225 million more than it did. If, in those circumstances, Great Britain is called upon to build up annual surpluses to the amount of £50 million or so, required to repay a war debt of £1,000 million over a period of 20 years, the effort which this country will have to put forth will be prodigious. It will call for the allocation of priorities to export industry on a scale which cannot be without effect on the level of domestic consumption. It will also require even stronger insistence than would otherwise be necessary on fair access to the markets of the world—especially of the new creditors—for British exports. If this can be obtained, the overseas claims on Great Britain will be a powerful factor in imposing a "full employment" policy on this country; but it will be full employment on rather tighter belts than those the country would enjoy if there were no war debts to pay off.

Business Notes

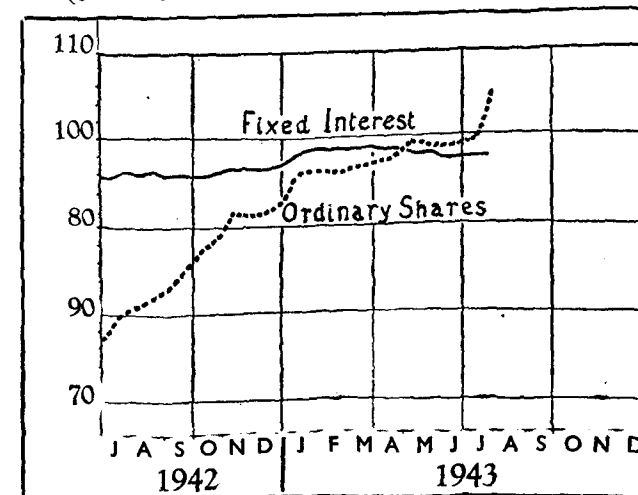
Markets Recover

Observers who contended that it was mainly the Wings for Victory campaigns of the first six months of 1943 which were holding stock markets in check can point with some satisfaction to the fact that the first month in which this drain on investible funds has been removed has witnessed one of the sharpest upward movements in equities since the major recovery begun in July, 1940. The success of the initial landings in Sicily, favourable war news from Russia and the Far East, and, even more important, the resignation of Mussolini, have been responsible in a large measure for the recent gains—the arguments which were heard early in July, when the savings campaigns were already concluded, that security prices in many directions adequately discounted post-war prospects, have disappeared now that events in the Mediterranean and elsewhere have brought those prospects appreciably nearer. Market movements in July, 1943, recorded in the monthly chart of *The Financial News* indices, rank with those of November, 1942, and January, 1943, inspired respectively by El Alamein and the North African landings and the Russian successes before Stalingrad. Indeed, the advance in equities on the present occasion has been a good deal more marked—the weekly average of *The Financial News* industrial share index for the last week of July, at 104.2 (July 1, 1935 = 100), is 5½ points higher than the corresponding average for the last week of June, whereas the rise in January was only 3.7 points and in November 2.8 points. At the same time, it would seem that market activity has not on this

occasion equalled that of last November and January. Bargains marked reached their July peak on the 26th at 7,283; on January 11th, 8,323 bargains were marked, and on

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.



November 9, 1942, 9.119. The holidays may explain part of the difference, but it would seem that the withdrawal by the Stock Exchange Committee of the commission concession on "in and out" transactions and the enforcement of the "five-day rule" after the November upswing have had the desired effect.

Buying for Peace

Behind the broad picture of advancing equities and stationary fixed interest securities revealed by *The Financial News* indices, the detailed *Actuaries' Investment Index* figures, made up at July 27, show some sharply divergent trends. In gilt-edged, the sagging tendency in long-dated and irredeemable issues continues. The yield on 2½ per cent Consols, at 3.13 per cent, is now at its highest since June, 1941—the rise has been virtually continuous since February, 1942. Concurrently, the yield on the 159 industrial equities covered by the *Actuaries' Index* has declined from 6.04 per cent in June, 1941, and 5.17 per cent in February, 1942, to 4.36 per cent at the end of last month. The principal rises in ordinary shares during July were seen in post-war recovery issues, as is clear from the usual extract from the indices which appears on page 188. The rises in building material shares, textiles, gas stocks, motors, oil shares and stores and catering issues show, as clearly as the fall in home rail ordinary stocks and the neglected condition of the aircraft and iron and steel markets, the direction of investors' thoughts. These views may pay insufficient attention to post-war problems. But so long as such occurrences as the resumption of interim dividends by the Gas Light and Coke Company and the good Burmah Oil distribution draw attention to the scope for recovery in dividend payments, so long is the investor's appetite likely to remain keen. The extent to which he is willing to discount the future was shown at the beginning of the recovery movement of the middle 'thirties when equities were bought (in October, 1933) to yield 3.45 per cent, when long-dated British Government stocks were yielding 3.48 per cent.

The Circulation

This week's increase in the note circulation—£9,996,000—was smaller than might have been expected, since usually it is the week with Bank Holiday in it, rather than the preceding one, which shows the bigger rise. Nevertheless, it has made the total increase over the Bank Holiday period—£22,123,000—the largest increase for the August Bank Holiday since the war began, the rise for the corresponding two weeks of last year being £18,058,000. In 1940 it was only £6,079,000, but there was no August Bank Holiday that year and ordinary holidays were at a minimum. It is not thought, however, that this year's increase marks the beginning of a fresh long-term rise in the circulation, which, as was pointed out in *The Economist* of July 24th (page 53), has been more stable since the spring of 1943. There are several factors why this year there should be a higher seasonal increase. More people are going away for their summer holidays, as last week-end's queues at the railway stations show. Secondly, many firms and factories are closing altogether for a holiday period, which has meant the payment of two weeks' wages at once. Thirdly, the banks, which have paid in to the Bank of England the notes of large denominations and had allowed their till money to run down to a low level while they were doing so, are now taking steps to replenish it again. In a few weeks' time, the curve in the note circulation should have flattened out again.

Plain Words to Cotton Trade

The speech of Mr E. A. Carpenter, chairman of the Cotton and Rayon Merchants' Association, at its annual meeting on July 30th, was as sensible as it was downright.

I attend many meetings concerned with post-war planning,

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL
INSURANCE COMPANY
ASSETS EXCEED £18,500,000
FIRE LIFE ACCIDENT MARINE
Edinburgh: 35, St. Andrew Square.
London: Northgate House, 20/24, Moorgate, E.C.2
and 46, Pall Mall, S.W.1.

and one senses the tendency to a false feeling of security that the industry (the cotton industry) will have the markets of the world at its feet, and that they will be prepared to accept whatever the industry offers at whatever price. The corollaries of such thinking are fixed prices and an excessive zeal for standardisation. These reflect a shortsightedness as bad as that which characterised our vision after the last war.

Nothing could be more harmful to the cotton industry or, indeed, to the prospects of any industry, than the attitude of mind which Mr Carpenter rightly condemned. If the cotton industry is to prosper after the war it must produce the kind of goods which are wanted, and at prices at which they will be bought. Mr Carpenter was no less forthright in addressing himself to the merchants:

There can be no permanent place in any industry for those who are content to take a "rake off" from it in good times, and leave it to others, whether they be fellow merchants or producers, to weather the less favourable and stormy times.

If the cotton industry, or any other industry, is not to "die comfortably on its feet," it will heed Mr Carpenter's warning.

Transport Workers

The Transport and General Workers' Union is today the biggest trade union in the world, with a membership of nearly 1½ million, of which some 300,000 are women. At its biennial conference in Edinburgh this week, great attention was paid to the problems and needs of women war workers. The union ratified an agreement with the other unions catering for women in engineering (the Amalgamated Engineering Union, the National Union of General and Municipal Workers and the Iron and Steel Trades Confederation). This agreement calls for the strengthening of trade union organisation among women, and regulates their mutual relations, in order to avoid overlapping and "poaching," which has been in danger of developing ever since the AEU admitted women in January of this year. A resolution was carried demanding the application throughout industry of the "rate for the job," and speakers confirmed the impression that this is still a matter of theory rather than practice. It is significant that the Tailors and Garment Workers' Union, at its conference, should have made exactly the same complaint. The decision of the special court of inquiry now investigating a dispute in a Glasgow aircraft factory over this very issue will be awaited with interest, not only by the AEU, which is directly concerned, but by all the unions which cater for men and women. For post-war reconstruction, it is perhaps natural that the present heads of the Transport Workers' Union should adopt their former leader's general philosophy, and the speeches of the President and the Acting General Secretary in many ways echoed the pronouncements of Mr Bevin. The President said that the post-war aims of the working-class should be to ensure, first, fair wages and a decent standard of living, and, secondly, security of employment and maintenance during unemployment. There is nothing very revolutionary about these aims, which are essentially those of gradualism and social reform. Mr Deakin was lukewarm in his attitude to the Beveridge Report, pointing out that Britain could not live by social security alone. The day before at the conference, Mr Bevin had described the plan as "state ambulance work." Unionists of this mould look to get their security by other arrangements; in other words, by direct barter with their employers; and when this is done, the weakest will still go to the wall, if they do not belong to the stronger, more fortunate unions—which is the difference between Sir William Beveridge, on the one hand, and Mr Deakin and Mr Bevin on the other, the difference between the communal and the sectional approach. But whatever reservations the leaders may make, the rank and file are quite definite. The conference passed a resolution accepting the broad principles of the Beveridge Plan, and calling for the establishment of a Ministry of Social Security.

American Ships for Britain

On Tuesday Mr Churchill read a letter in the House of Commons about the transfer of American ships to this country, which he had received from President Roosevelt. President Roosevelt recalls the arrangement whereby each of the two countries was to concentrate on doing the things it was best qualified to do. The shipyards of the United

Kingdom concentrated on the construction of fighting vessels, whereas America became "the merchant shipbuilder for the two of us." The enormous expansion of the American merchant marine tended to outgrow America's ability to man them, whereas the shrinkage in the British merchant fleet had created a pool of "trained seamen and licensed personnel." President Roosevelt points out that in order to avoid the prodigal use of manpower,

I am directing the War Shipping Administration under appropriate bareboat arrangements to transfer to your flag for temporary wartime duty during each of the suggested ten months a minimum of 15 ships. I have, furthermore, suggested to them that this be increased to 20.

Hitherto American-controlled ships have been allocated to this country on a voyage-to-voyage basis. By the new arrangements ships will be temporarily transferred to British control. Similar arrangements are being made by Canada. This temporary transfer to the British flag of 150 to 200 American ships, as Mr Churchill indicated, does not affect the post-war settlement, which is to be discussed "at a future date."

Control of New Issues

The restiveness which has been evident in the City over the control of capital issues during the war has not been lessened by the placing of 24,585 £1 ordinary shares in Arthur Lee and Co., a hitherto privately owned firm of hot and cold rolled steel strip manufacturers. It is not that this issue itself gives any grounds for criticism; what causes resentment is the seeming discrimination between this transaction and other apparently similar projects which have been submitted from time to time to the Capital Issues Committee for its sanction, but which have been turned down by that body. Added to resentment is puzzlement why Treasury consent should have been given to dealings in 24,585 ordinary shares in Arthur Lee, while another 30,000 odd shares in that company, although placed as part and parcel of the same transaction, have not been blessed with official "permission to deal." (In May, 1942, the stock exchanges acceded to the Treasury demand that

no new quotation or permission to deal would be granted except with the Treasury's permission and subject to any conditions the Treasury might impose). In the absence of any official guidance, it is assumed that the hesitations and inconsistencies apparent in the new issue control policy spring from a tardy and inadequate recognition of the power and efficiency of the closed capital market. This view certainly finds support in the history of capital issues control since the outbreak of war. It took over two and a half years to convince the Treasury that high-interest bearing, optionally redeemable municipal stocks could be converted to a lower interest basis, not only without harm, but with positive benefits to the war finance programme. Even then, there was another long delay before Dominion borrowers and public utility undertakings were allowed to rank with municipal debtors, and it was not until May, 1942, that industrial concerns were permitted to reap the benefit of present low money rates. Again, it was not easy to see how the activities of unit trusts in buying and retailing shares (which can in any case be bought quite freely by individual investors) interfered seriously with the war finance programme; yet, in May, 1941, the managements of these trusts were forbidden to create new units. Finally, there have been several cases where permission to deal publicly in the shares of privately owned companies has been refused, presumably on the grounds that subscription by the public to such placings would interfere with subscriptions to war bond issues.

Encouraging "Outside Deals"

It should be unnecessary to stress the fallacy in the belief that change of ownership of existing assets is detrimental to the finance of the war. But on the available evidence there does seem to be a lingering doubt on this point in some quarters. Not only is the belief fallacious, but the present procedure has practical drawbacks. Frequently, a placing of shares in a privately controlled company is conducted primarily to enable the proprietors to raise funds to meet or insure against Estate Duty liability, and without such placings the Revenue may well be the loser. (The odd number of shares involved in the Arthur Lee transaction

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

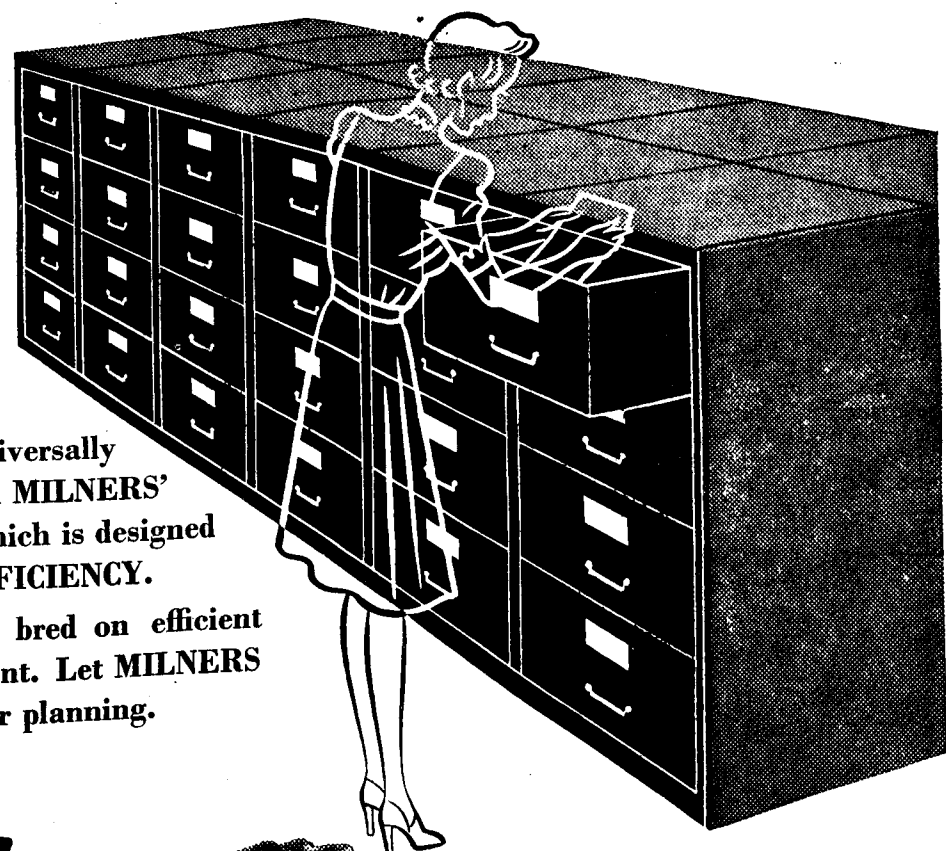
The same sound craftsmanship which has made
MILNERS' SAFES and
STRONG-ROOMS so universally
respected is to be found in MILNERS'
STEEL EQUIPMENT, which is designed
to promote business EFFICIENCY.

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.6. Telephone: MOUNTVIEW 6655



suggests that the Capital Issues Committee may now be willing to concede this point.) Possibly more important, the attitude of the authorities is causing business to by-pass the Stock Exchange, where the investor obtains the benefits of that institution's rules and regulations, and is encouraging "outside" dealings—there has been at least one instance recently where privately owned shares have been "placed" without the obtaining of permission to deal on the Stock Exchange. It would, of course, be going too far to suggest, as has been done, that since the Committee appears to be dominated by considerations which were relevant in 1914-18 (when the open-market war loan—as distinct from the present continuous "tap" issue—demanded a clear field in the capital market) it will favour a complete freeing of the capital issues market immediately after this war, as happened in 1919. But it is certainly to be hoped that if post-war industrial development is to be controlled through the capital market, as an alternative, or, more properly, a correlative, to control of raw materials—which will surely be necessary—a somewhat more realistic and intelligent policy than has sometimes been seen in the past will be followed.

Military Lire

Further details have come from Allied Headquarters at Algiers of the currency arrangements for occupied territories, which are having their first test in Sicily. The arrangements are in the hands of a new organisation called the Allied Military Financial Agency (AMFA), which for the time being is operating from Tunis. The most important of the steps taken by AMFA has been the introduction of a new currency, the Allied Military lira (amlira), in occupied Italian territory. The invading Allied troops took with them what is now termed their "spearhead currency," that is, the US yellow sealed dollar bills and the British Military Authority sterling notes. The policy of AMFA is to use this spearhead currency as a temporary makeshift, and, as soon as possible, to make use of the local currency for the purpose of paying troops and of transacting business with the population. Experience gained during the advances through Italian African territories suggested that the enemy would either withdraw or destroy stocks of local lira currency as he retreated from the invaded areas of metropolitan Italy. It was, therefore, decided to prepare substantial stocks of amlira notes. These were printed by the United States Treasury, and have now begun to circulate in Sicily. The new military currency has been given complete equality with Banca d'Italia notes. They have been proclaimed to be full legal tender. Moreover, it has been stated that one of the terms of the financial settlement with Italy will be to compel the note issuing authority in that country to recognise amlira notes as its own liability. It is only reasonable that this should be so, since the new notes merely take the place of those withdrawn from occupied areas by the Italian authorities. AMFA has confirmed the rate of 400 lire to the pound and 100 lire to the dollar at which Italian currency will be exchanged for those of the Allies.

Brazilian Debt Negotiations

The announcement by Lord Bessborough, President of the Council of Foreign Bondholders that that body is in communication with the Brazilian Government, the representatives of bondholders in the USA, and appropriate departments of His Majesty's Government, represents merely a

statement of the obvious—it is precisely these functions which the Council is expected to fulfil. At the same time, the relief which the announcement has caused is a measure of the fears which had been aroused about the impending Brazilian debt settlement—fears which were not lessened by the Companhia America Fabril incident, discussed in *The Economist* of July 17th. The existing Brazilian debt arrangement expires in March next, and Brazil has undertaken to produce a new arrangement by October this year. There has been some apprehension lest Brazil should present its bondholders with a unilateral, cut and dried arrangement, on the "take it or leave it" principle. This apprehension, it now seems, is groundless, for Lord Bessborough specifically stated that the Council of Foreign Bondholders is in communication with the Brazilian Government. Not less important is the need for co-operation with the authorities of the United States, and it is also hoped that the Treasury and the Foreign Office may be willing to do what they can to ensure the best possible terms commensurate with Brazil's capacity to pay. Although Treasury intervention in the America Fabril case was based on a technical point, the contention that such debt settlements must, in the light of Great Britain's reduced foreign investments, be viewed from the national and not merely the sectional aspect is now gaining support.

Clothing Ration Unchanged

The President of the Board of Trade has announced that the clothing ration for the five months, beginning on September 1st will be 20 coupons, the same rate as at present. Supplementary coupons for the new period remain unchanged. The decision not to reduce the ration is surprising, in view of the urgent demand for labour which is apparent in the decision to call up women of 50. Mr Dalton himself has said that one clothing coupon less per head would release 8,000 workers and 5,000 tons of raw materials. Would not this saving contribute more to the winning of the war than the maintenance of the clothing ration? Retailers have relatively ample stocks of clothing, which they are finding difficult to dispose of because of their low quality. A cut in the clothing ration would not have solved this problem, but it would have made the release of shop assistants easier. It may be that the time has come to consider a reduction in the basic ration to enable the aggregate number of coupons issued to be reduced, while maintaining at its present level the total ration of those entitled to supplementary coupons. In other trades, the production of certain non-essential goods is prohibited. There are many garments still for sale, and still being made, can in no sense be considered essential. The production of these could be suspended with no hardship to anyone. The savings in materials and labour could be used to such garments as can justifiably be included in a ration designed for the fifth year of war.

Substitutes for Mica

The introduction last April of a special Mica Control (discussed in *The Economist* on April 24th) suggested that supplies of high-grade mica have become tight enough to justify strict control by a special department. By reason of its non-conductivity and flexibility, mica is an essential material for most electrical appliances, including numerous items of war equipment. During the past few weeks reports have been current, especially in the United States, suggesting that certain synthetic substitutes for mica have been developed, which may substantially improve the supply position of the United Nations. These reports, however, appear to be somewhat premature, for the Mica-Graphite Division of the United States War Production Board has found it necessary to issue a public statement on the position to counteract unfounded hopes of consumers, and especially to prevent a slackening of production in the mica mines of the United States. According to the WPB statement, several promising new materials, each of which has some characteristics similar to those of mica, are in process of development, but it is stressed that none of them possesses the particular combination of characteristics found in mica.

Each of them may, if or when they are fully developed and their use approved and adopted by the Army Services, replace mica to a limited extent in certain applications. But none of these substitutes is as yet in actual production on any scale beyond laboratory work, and further, there has to date been very little actual adoption either by the Armed Services or by prime contractors of components containing any of these new materials as a replacement for mica.

(Continued on page 187)

COMPANY MEETINGS

HOME AND COLONIAL STORES, LIMITED

TAXATION POSITION CLARIFIED

EFFECT OF WAR-TIME RESTRICTIONS

SIR GEORGE SCHUSTER'S ANNUAL REVIEW

The forty-eighth ordinary general meeting of the Home and Colonial Stores, Limited, was held on the 6th instant at 179-189 City Road, London, E.C.

The following is the review by the chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.) which has been circulated with the report and accounts:—

Before reviewing the financial results I must explain the Tax position. Taxation, particularly E.P.T., has figured prominently in my recent annual statements, since our company has been one of the classic cases of severe and, I venture to say, inequitable results. This was of course mainly because in the "standard years" for E.P.T. we were reorganising, and treating profits as secondary consideration, so that a "profit standard" assessment gave us a very bad position. Then when we turned to the alternative of a "capital standard" we found that for special reasons we might fare still worse. The net result appeared to be that, although in 1938 (before our reorganisation had shown its full results) we had in fact earned enough to pay 8 per cent. on the Home and Colonial ordinary capital, E.P.T. would hit us so hard that however much profit we might make, we should be unable even to meet our preference charges without drawing on our carry forward to the extent of about £50,000 annually.

TAXATION BASIS AGREED

We have been continuously pressing the Revenue Authorities to adopt an interpretation of the position which would be less harshly inequitable. As there seemed to be no chance of getting the "profit standard" revised, we concentrated on trying to get a fairer basis agreed for a "capital standard." The main question at issue was whether the Home and Colonial Stores, Limited, could include in the computation of its capital the amount which it had in fact paid for goodwill when it acquired the Lipton and Meadow undertakings. The doubt arose because the goodwill had been acquired from the shareholders, not as a separate item separately paid for, but by paying a premium for their shares. There was the further complication that the Home and Colonial had financed this payment mainly by issuing its own shares at a premium. We have always recognised the difficulty of the Revenue Authorities in such cases and the need for them to satisfy themselves beyond doubt of the bona fides of each transaction; but, knowing the circumstances of our own case we felt confidence in pressing our claim that this goodwill should be included in the computation. We have therefore been extremely gratified that the Authorities have now recognised the substance of our contention and devised a formula which, while safeguarding them against abuse, takes account of cases like ours. This formula does not give us the full measure of our claim, but it does mean that our capital standard will be so assessed as to make our position substantially better. There are many complications and figures have not yet been all agreed, but, in order to prevent further delay, we have made up our accounts for 1942 on estimates which we consider safe. Approximately in round figures we reckon that on the capital standard now to be allowed, the annual group revenue not subject to E.P.T. liability will be about £180,000 higher than would have been the case on the "profit standard" basis

for which we had previously made provision. This extra £180,000 will of course attract Income Tax so that the net improvement can be reckoned as about £90,000 per annum.

PROFIT AND DIVIDEND

Subject to this explanation the best picture of the year's results can be got from the consolidated statement in the directors' report. This shows that for 1942 the total trading profits of the group at £1,037,594 were £221,655 less than for 1941; but that the net taxed profit available for the Home and Colonial Stores' shareholders is increased by £96,500 and amounts to £154,041. Out of this sum, after making the usual allocations and providing £10,000 for War Damage Contribution from revenue, it is possible to pay a dividend of 3 per cent. (less tax) and to add £7,245 to the carry forward.

The improvement in the E.P.T. standard will of course be applicable not only to 1942 but to the earlier years in which the tax has been in force. The effect of this cannot be exactly stated until all figures have been settled, but we have thought it right to state at once that we do not contemplate recommending any retrospective distribution of dividend. We consider that in any case the amounts by which the carry forward has been depleted in the past years (£90,000) should be made good and that any balance should be added to reserves so that we may be in as strong a position as possible to tackle our post-war tasks.

RESTRICTIONS ON TRADE

The decline in trading profits for 1942 is due partly to restrictions in supplies and partly to the operation of factors which I recounted last year. I then explained how war conditions had affected our competitive position as specialists handling a large turnover at a low margin of profit, since Government control of commodities had both reduced our power to offer the public our distinctive advantages as specialists and also operated to limit our scope for reducing costs by combining the various stages of handling goods between the primary producer and the ultimate consumer. Since last year our position has been further affected. Supplies have been still more limited and a number of articles have been put on "points" without any increase in the total number of points allowed. In addition, war conditions have tended to make the public less sensitive to price advantage and less ready to travel any distance from their homes to the main shopping centres. The Government, too, have, for public reasons, advocated the practice of shopping near home and dealing as far as possible for all commodities with one supplier. This is doubtless the right course in the public interest in present conditions; but it has had a definite adverse effect in the trade of our branches. We do not complain of results which are necessary in the public interest, but as it is frequently alleged that large companies have benefited in war conditions at the expense of the individual shopkeeper, I think it important to point out that, according to the experience of our own companies, the reverse must be the case in regard to groceries and provisions. It is regarded quite clear that the small shopkeepers—especially those with shops in residential streets rather than those in the

main shopping centres, and those that stock a variety of articles beyond the ordinary food lines—have been able to secure the registrations of many thousands of customers who formerly dealt largely at the branches of our companies.

SERVICES OF THE STAFF

The total male staff in the branches of our three main companies at the beginning of the war was 9,949. Of these, only 1,585 are still with us. The bulk of those that have left us are of course with the Forces. Many of the female staff, too, whom we recruited and trained at the beginning of the war, have left us for munition work. Nevertheless, in spite of these disturbances and the complications and difficulties caused by Government regulations, transport restrictions, movements of population, blackout and air-raids, we can feel that our staff have carried on splendidly, and have also served the public well.

THE OUTLOOK

We look forward cheerfully to the future when normal conditions are restored. We are confident that our customers who, owing to the special war conditions which I have described, have had to register with other dealers, will return to our branches when they are free to shop where they like and when we can again offer them the special advantages of our organisation and methods of trading. We have learned many lessons during war conditions and are engaged in working out plans for our future organisation which will, we believe, bring still further advantages in the way of improving the quality of our goods, increasing the opportunities for our staff and reducing the cost of distribution.

AMALGAMATED METAL CORPORATION, LIMITED

CURTAILED TRADING

The fourteenth ordinary general meeting of Amalgamated Metal Corporation, Limited, will be held, on the 11th instant, at 95 Gresham Street, London, E.C.

The following is the statement by the chairman, Mr Walter Gardner, circulated with the report and accounts:—

With the object of saving paper and unnecessary travel I am including with the annual report of the directors the very brief remarks I have to make.

Mr Charles V. Sale, who had been ill for some time, found it necessary to retire from the board. The directors greatly regret that he passed away shortly thereafter. Mr Sale was chairman of the Corporation from its inception and rendered the most valuable service. His wise counsel will be greatly missed.

The directors also greatly regret the death of Sir Edward W. Beatty.

At the request of my colleagues I have accepted appointment as chairman of the board, but have asked that this shall be considered as a temporary appointment only.

I have also to announce that Mr A. John Hugh Smith has accepted appointment as chairman of the British Metal Corporation on a similar temporary basis.

The course of the war and the necessary institution of controls have inevitably greatly curtailed the possible fields for trading. First of all the principal base metals came under control and then, on the collapse of France, all business with the Continent ceased entirely. One of our constituent companies was able to continue trading in Eastern produce, chiefly tin and rubber, but with the entry of Japan into the war and the occupation of Malaya and the Netherlands East Indies, such trading has also virtually been brought to a standstill. Tin is now wholly controlled and rubber affords only limited possibilities of earning remuneration. The reduction in both current liabilities and current assets to which allusion was made in the directors' report last year, is inevitably further accentuated in the 1942 accounts.

BUY 3% SAVINGS BONDS 1960 1970

- ★ Purchasable in multiples of £5
- ★ Interest paid half-yearly
- ★ Income Tax not deducted at source
- ★ May be sold quickly through your Savings Bank

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. Shares*	20 Fixed Int.†
July 29.....	5,948	3,042	104.7	134.0
Aug. 2.....	6,192	3,023	105.0	134.0
" 3.....	7,236	3,504	105.4	133.9
" 4.....	5,861	3,276	105.3	133.8

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 105.4 (Aug. 3), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.9 (July 2).

New York

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

	1943		July 13, 1943	July 20, 1943	July 27, 1943
	Low Jan. 6	High July 13			
37 Industrials.....	81.1	103.5	103.5	101.9	97.1
32 Rails.....	72.6	99.9	99.9	98.2	93.3
40 Utilities.....	67.9	88.8	88.8	88.8	86.2
419 Stocks.....	78.5	100.9	100.9	99.6	95.2
Av. yield %.....	5.36	4.35	4.35	4.41	4.65

* 50 Common Stocks.
(a) July 20.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
July 22.....	123.7	822,000	July 26.....	121.8	1,456,000
" 23.....	123.6	914,000	" 27.....	127.9	1,786,000
" 24.....	123.4	387,000†	" 28.....	117.3	1,845,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2).

† Two-hour session.

Capital Issues

Week ending August 7, 1943	Nominal Capital	Con- versions	New Money
By Permission to Deal.....	111,983	£	463,458
Particulars of Government issues appear on page 189.			
Year†		Including Conversions	Excluding Conversions
1943.....	1,115,779,242		1,099,043,584
1942.....	984,528,357		970,865,543

Destination*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943.....	1,095,819,064	2,585,843	638,677	1,088,778,140	1,454,552	8,810,892
1942.....	970,461,081	349,272	55,190	964,117,031	731,318	6,017,194

* Conversions Excluded. † Includes Government issues to July 27, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Nature of Borrowing*

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)			Average Yields		
	July 28, 1942	Feb. 1943	June 29, 1943	July 27, 1943	July 28, 1942	June 29, 1943
2½% Consols.....	146.9	146.3	143.0	142.5	3.04	3.12
Home Corps. (4).....	141.6	144.6	142.5	142.6	3.30	3.27
Total Ind. Debts. (43).....	117.6	121.6	121.2	121.1	4.04	3.92
Total Ind. Pref. (101).....	104.2	111.4	110.8	110.5	4.54	4.37
Insurance (10).....	101.3	101.0	103.1	106.3	4.00	4.04
Building Mats. (6).....	75.5	85.0	89.9	95.1	3.92	3.27
Cotton (5).....	32.5	42.1	43.7	46.6	4.09	3.64
Gas (8).....	74.3	88.8	97.2	98.5	3.16	3.06
Motors (7).....	36.8	45.1	45.2	48.7	4.39	4.20
Oil (4).....	48.0	72.4	78.6	83.8	5.22	5.04
Home Rails (4).....	48.9	70.0	80.4	77.2	7.49	5.43
Stores & Catering (17).....	49.6	65.2	66.8	71.0	4.05	3.52
Total Miscellaneous (40).....	70.4	81.4	81.9	83.9	4.87	4.26
Industrials— (All Classes) (150).....	62.1	74.4	75.3	77.2	5.04	4.42

INDUSTRY AND TRADE

Clothing Coupons.—Between September 1st and February 1, 1944, 20 clothing coupons in the new clothing book will be valid. They are the yellow coupons on Page III marked "Series A," and the green tokens on page V marked W and X, which will be worth one coupon each. The supplementary coupons for children of certain ages and sizes and for industrial workers remain at the same level as in the current rationing period. All children born on or after August 1, 1927, have

ten supplementary coupons, which they will be allowed to use from August 15th. In addition, supplementary coupons are available to certain children as follows: children born between September 1, 1925, and December 31, 1926, ten coupons; those born between January 1, 1927, and December 31, 1929, twenty coupons; those born in or after 1930 who are 5 ft. 3 in. or more in height or weigh 7 st. 12 lb. or more on or before October 31st, an additional twenty coupons.

Dairy and Poultry Mission.—A Joint Anglo-American Mission of technical experts under the auspices of the Combined Food Board has arrived in Argentina to survey the facilities for the production of dairy and poultry products, with special reference to processing and dehydrating. The Mission is interested in the quantities of dried skim milk, butter and dried eggs that might be available to the United Kingdom under proper conditions of price and quality, but the members are not purchasers or negotiators.

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

	July 29, 1943	July 30, 1943	Aug. 2, 1943	Aug. 5, 1943	Aug. 6, 1943
Crops.....	120.1	120.1	120.1	120.1	120.3
Raw materials.....	182.3	182.3	182.3	182.3	182.3
Complete Index.....	147.9	147.9	147.9	147.9	148.1
Mar. 31, 1937					
Aug. 31, 1939					
Aug. 4, 1942					
July 5, 1943					
July 28, 1943					
Crops.....	147.9	92.2	117.8	118.3	119.8
Raw materials.....	207.3	122.9	172.7	182.3	182.3
Complete Index.....	175.1	106.4	142.7	146.9	147.8

* Highest level reached during 1932-37 recovery.

FINANCE AND BANKING

The following table summarises the Exchequer returns to date (July 31st) and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000		£1,901,576	
Total ordinary expenditure.....	1,888,220	Total ordinary revenue.....	788,272
New sinking funds.....	3,046	Loans raised:—	
Loans repaid.....	3,810	3½% Def. Bonds (net).....	58,943
" " " " external.....	6,500	2½% Nat. War Bds. 1940-70.....	187,894
Bank of England Adv.....		2½% Nat. War Bds. 1949-51.....	251,154
		2½% Nat. War Bds. 1951-53.....	120,000
		3% Terminable Annuity.....	130,150
		Nat. Savings Certs. (net).....	94,018
		Tax Reserve Certs. (net).....	2,992
		Treasury Deposits.....	4,500
		Floating debt (net).....	230,447
		Treasury Bills.....	26,470
		Public Debt Adv.....	6,863
		Miscellaneous receipts.....	63
		Decrease in balances.....	63

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

Points Banking System.—From the beginning of the third rationing period on September 19th the Ministry of Food proposes to abolish the vouchers at present used by traders under the points scheme and to substitute an accounting system on a credit basis, which for the sake of convenience is being called a points banking system. The new system is not unlike the method used for transferring personal points in the personal catering establishments which will conduct their points banking business in points foods will operate their accounts at the Divisional Food Office. Orders for points foods, except in the case of sales to the public, will be fulfilled without any prior passing of points. At the close of each ration period suppliers will send to their customers accounts for the number of points due on the points foods supplied during that ration period. These accounts will be handed in to the Food Office, and the Food Office will pay to suppliers the points due to them. Each ration period the number of points he may use in that ration period, and he may not use more than these points. The balance of points available for the points coupons he collects, and in the case of a retailer by the value of the points received from Food Offices in payment for goods supplied. The accounts for points due received from who will debit the trader's points balance. At the beginning of possession will be credited to him, and he will also be given an additional credit of points, which in the case of a retailer will be equal to two weeks' turnover in points and in the case of a wholesaler six weeks' turnover in points. The objects of the new points vouchers, to provide greater security, to enable payment to be made for the exact points value of the foods supplied, and to establish satisfactory records of the movements of points at all stages in the chain of distribution.

(Continued on page 189)

GOVERNMENT RETURNS

For the week ended July 31, 1943, total ordinary revenue was £67,571,000, against ordinary expenditure of £109,850,000, and issues to sinking funds of £70,000. Thus, including sinking fund allocations of £3,045,958 the deficit accrued since April 1st is £1,102,994,000, against £973,432,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Esti- mate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Aug. 1, 1942	April 1 to July 31, 1943	Week ended July 1, 1942	Week ended July 31, 1943
ORDINARY REVENUE					
Income Tax.....	117,500	194,885	235,986	15,429	16,575
Sur-tax.....	80,000	9,280	9,380	240	260
Estate, etc., Duties.....	100,000	33,593	33,188	1,640	1,820
Stamps.....	17,000	4,440	5,250	140	910
N.D.C.....	500,000	8,808	7,836	700	730
E.P.T.....	86,154	135,804	7,728	7,340	
Other Ind. Rev.....	1,000	240	163	10	13
Total Ind. Rev.....	187,300	337,400	427,607	25,887	26,918
Customs.....	525,320	143,811	174,103	5,120	11,525
Excise.....	450,180	135,980	155,900	25,480	24,900
Total Customs & Excise.....	975,500	279,791	330,003	30,600	36,425
Motor Duties.....	25,000	3,572	2,705	173	241
Canadian Govt. Contribution.....	123,355	...	7,304	...	...
P.O. (Net Re- ceipts).....	400	7,000	1,040	800	2,050
Wireless Licences.....	4,700	890	380	200	140
Crown Lands.....	800	360	...	...	...
Receipts from Sundry Loans.....	4,100	786	1,742	12	40
Miscell. Receipts.....	24,000	33,119	24,795	1,939	1,547
Total Ord. Rev.....	290,750	786,127	788,272	66,915	67,571
SELF-BALANCING P.O. & Broadcast.....	110,632	33,100	35,400	2,500	950
Total.....	401,382	819,373	823,672	69,415	68,521

Expenditure	Esti- mate, 1943-44	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Aug. 1, 1942	April 1 to July 31, 1943	Week ended July 1, 1942	Week ended July 31, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	375,000	122,571	118,736	11,960	951
Payments to N. Ireland.....	9,500	2,347	2,324	...	...
Other Cons. Fund Services.....	7,500	3,400	3,226	8	7
Total.....	392,000	128,318	124,286	11,968	958
Supply Services.....	536,675	162,863	176,393	10,752	10,892
Total Ord. Exp.....	578,675	175,695	188,220	11,940	10,950
SELF-BALANCING P.O. & Broadcast.....	110,632	33,100	35,400	2,500	950
Total.....	689,307	208,795	223,620	14,440	11,900

Expenditure	Esti- mate, 1943-44	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Aug. 1, 1942	April 1 to July 31, 1943	Week ended July 1, 1942	Week ended July 31, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	375,000	122,571	118,736	11,960	951
Payments to N. Ireland.....	9,500	2,347	2,324	...	...
Other Cons. Fund Services.....	7,500	3,400	3,226	8	7
Total.....	392,000	128,318	124,286	11,968	958
Supply Services.....	536,675	162,863	176,393	10,752	10,892
Total Ord. Exp.....	578,675	175,695	188,220	11,940	10,950
SELF-BALANCING P.O. & Broadcast.....	110,632	33,100	35,400	2,500	950
Total.....	689,307	208,795	223,620	14,440	11,900

After decreasing Exchequer balances by £37,634 to £2,814,389, the other operations for the week (no longer shown separately) raised the gross National Debt by £39,913,476 to £17,958 million.

NET ISSUES (£ thousands)		
P.O. and Telegraph.....	150	
Overseas Trade Guarantees Act.....	40	
Total.....	190	

NET RECEIPTS (£ thousands)		
Overseas Trade Guarantees Act.....	77	
War Damage Act.....	2,312	
Total.....	2,389	

(Continued from page 188)

THE MONEY MARKET.—Conditions in the money market have been much easier this week. This is partly due to Government dividend disbursements at the beginning of the week; another factor is that the discount houses have been taking up a smaller amount of Treasury Bills. The banks' bill purchases have not been large, which reflects the fall in their deposits at the Bank of England. The Bank Return shows that they have fallen by £21,304,000 over the week. This is a far bigger drop than can be accounted for by the week's rise in the note circulation, commented on in a note on page 182, and its counterpart is a drop of £16,285,000 in "other securities."

MONEY RATES, LONDON.—The following rates remained unchanged between July 31st and August 5th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 12 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1-1½% (July 28, 1-1½%). Short Loans, 1-1½%. Bank deposit rates 1%. Discount deposit at call 1%; at notice 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between July 31st and August 5th. (Figures in brackets are par of exchange.)

(Continued on page 191)

THE ECONOMIST

MONTH'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
£		£	
Treasury Bills.....	41,200	Other Debt:—	
Nat. Sav. Certs.....	22,050	Internal.....	1,802
3½% Def. Bonds.....	8,839	External.....	1,404
2½% Nat. War Bonds, 1951-53.....	41,470		
3½% Sav. Bonds, 1960-70.....	34,750		
Ways and Means Advances.....	9,530		
Treasury Dep. by Banks.....	48,000		
Tax Res. Certs.....	23,205		
	229,044		3,206

FLOATING DEBT (£ millions)

RECAPITULATION					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1942					
Aug. 1	975.0		Not available		
1943					
May 1	1005.0		"	"	
" 8	1020.0		"	"	
" 15	1035.0		"	"	
" 22	1050.0		"	"	
" 29	1065.0	1885.9	233.3	" ... "	983.5
June 5	1080.0		Not available		
" 12	1095.0		"	"	
" 19	1110.0		"	"	
" 30	3028.2		244.4	" 55.0 "	925.5
July 3	1140.0		Not available		
" 10	1155.0		"	"	
" 17	1165.0		"	"	
" 24	1170.0		"	"	
" 31	1170.0	1899.1	309.0	" ... "	973.5
					4351

COMPANY RESULTS (July 21, 1943, to August 4, 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.				
Rubber																	
Bandarapola Ceylon Co.	Dec. 31	19,412		4,601	14,811		4,500	7 1/2							16,654	4,456	6
Doloswella Rubber, &c.	Dec. 31	31,868	2,720	14,439	18,595		13,824	6							43,804	13,969	6
Ipooh Rubber	Sept. 30	Dr. 469		Dr. 2,477	Dr. 18,284										37,794	Dr. 20,571	Nil
Java Amalgamated Rubber	Dec. 31	282		Dr. 1,339	3,730										1,539	38,161	Nil
Larus (Sumatra) Rubber	Mar. 31	758		Dr. 3,349	Dr. 1,808										5,349	Dr. 7,380	Nil
Landia Rubber	Dec. 31	812		1,170	2,503										3,366	1,381	5
Matale Ceylon Rubber	Dec. 31	4,480		9,754	10,409		1,206	5							497	22,070	9,699
Nagole (Ceylon) Rubber, &c.	Dec. 31	21,679	815	44	9,415		9,257	5							44	10,533	6,104
Perak Rubber Plantations	Mar. 31	594		Dr. 244	2,888										244	6,996	657
Sarawak Rubber Estates	Mar. 31	632		36,243	16,330										163	40,447	11,994
Sungei Krian Rubber	Dec. 31	2,414		Dr. 1,672	16,330										1,632	27,689	9,646
Vallambrosa Rubber	Mar. 31	1,830		2,104	145										2,104	6,958	4,572
Yam Seng Rubber	Mar. 31	969															
Trusts																	
Alfa Investment Trust	May 31	36,658		15,860	34,015	11,812	3,937	2 1/2							111	36,446	16,419
British Industries & General Investm.	June 30	10,911		6,387	15,762	7,500									1,213	14,768	10,243
McDougalls Trust	June 30	205,095		101,212	145,130	25,000	74,934	10							2	270,132	102,058
Nineteen Twenty-eight Investment	Mar. 31	51,885		24,586	37,547	12,531	5,231	2							184	53,039	24,860
Second Great Northern	June 1	56,239		20,196	38,287	11,625	5,167	2							3,404	53,811	18,346
United States Trust Co. of Scotland	May 31	62,168		20,689	47,567	6,919	9,225	9	20,000						15,455	59,694	18,876
Other Companies																	
Alpha Cement Limited	Dec. 31	357,027	119,652	99,166	140,161	44,137	55,000	5							29	338,484	46,509
Amalgamated Metal Corporation	Mar. 31	218,495		212,347	248,373	54,000	155,253	34							3,094	212,225	34
Amalgamated Tea Estates	Nov. 30	560,513	22,356	80,938	181,839	10,500	66,969	7							3,469	512,913	91,797
Amblamiana Metal	Dec. 31	9,397	1,407	2,543	5,290		5,520	7 1/2							6	9,228	2,021
Anglo-American Direct Tea Trading	Nov. 30	857,761	33,932	79,530	167,822	30,000	49,678	7							148	734,274	81,729
Anglo-Portuguese Telephone	Dec. 31	515,365		52,627	91,061		59,775	8							652	465,285	83,352
Apollinaris & Presta	Dec. 31	16,655		Dr. 247	Dr. 176,595										34,733	13,655	Dr. 36,666
Associated British Picture Corporation	Mar. 31	1,231,996	175,000	(c) 259,594	435,340	60,000	175,000	17 1/2	100,000						75,606	1,246,257	376,595
Benn Brothers	June 30	110,578	200	40,053	54,048	4,805	23,585	15 1/2	10,000						1,663	89,887	30,481
Botivian & General Tin Trust	Mar. 31	5,175		3,918	5,337										3,918	5,315	4,044
Borneo Company	Mar. 31	Dr. 33,518		Dr. 33,518	12,247										18,518	66,702	10,215
Bulmer & Lumb	April 30	23,508	1,640	14,062	33,255		5,750	10							8,332	23,517	14,139
Cairn Line of Steamships	Dec. 31	45,914		27,438	34,320		12,000	4	12,500						3,338	45,927	35,927
Chubwa Tea	Nov. 30	192,887	125,000	131,072	325,785	20,000	105,000	7 1/2							1,499	149,628	18,405
Consett Iron Co.	Mar. 31	687,766		203,042	344,636	78,000	120,000	10							5,042	1,269,996	103,265
Consolidated Tea and Lands	Nov. 30	1,391,922	22,832	177,914(c)	239,608		121,450	35	50,000						6,464	268,377	62,214(d)
Dr. R. E. & Thomas & Co.	Mar. 27	81,424		Dr. 2,081	3,013										18,946	940	Nil
Duff Development Co.	Mar. 31	Dr. 8,081		2,707	14,556										2,707	9,193	7,745
Eastern Enterpr. Rubber & Prod. Trust	June 30	3,725		2,707	14,556	14,000	8,000	10							2,910	126,536	20,704
East India Distilleries	Sept. 30	129,064	19,243	24,910	15,489	5,325	8								10,164	60,084	11,835
Ransfield Furniture Manufacturing	Feb. 28	69,483	3,214	238,017	568,061	30,000	187,500	12 1/2							20,517	568,135	137,589
Finlay (James) & Co.	Dec. 31	668,848	87,966	100,174	152,105	7,000	45,000	15	50,000						1,826	442,536	97,241
Fisher & Ludlow	Mar. 31	49,888		16,856	38,097	8,750	1,750	5	6,525						2,169	15,903	15
Garisdale (Brookside Brewery)	Mar. 31	150,345	31,000	60,099	92,552	7,028	52,258	12 1/2							2,885	49,090	22,860
Greyfriars Park	April 30	50,184		23,119	40,314	5,000	7,500	10							4,195	76,451	16,644
Groves (John) & Sons	May 31	74,300	6,095	16,695	32,984		5,500	5							91	26,478	6,139
Hampton Garden Suburb Trust	Mar. 31	26,206	39	52,655	99,081	24,000	25,740	10							2,913	250,819	51,809
Jancoek (William) & Co.	May 31	292,368		9,718	12,210		9,375	12							343	66,057	9,142
Hills (F.) & Sons	Mar. 31	80,438	11,778	128,041	247,664	71,876	48,920	15 1/2							7,245	460,174	154,118
Home and Colonial Stores	Jan. 2	437,749															
Hudson's Bay Co.	Jan. 31	1,638,235	140,000	152,672	264,696	47,469	102,181	5 1/2							3,022	1,071,030	145,195
Jones' Sewing Machine	May 31	11,108		10,607	19,531	1,950	2,700	6							5,957	2,667	6
Kanan Devan Hills Produce	Nov. 30	1,211,902	55,383	141,677	231,608	33,000	112,500	15							3,823	960,694	138,894
Lansil Limited	Mar. 27	236,488	47,524	9,083	170,098	45,295	(c) 46,784	4	46,784						1,004	248,078	44,627
Lipton Limited	Jan. 2	356,777	61,832	28,805	42,589	33,750		6	15,000						4,945	379,198	4,823
London County F'hoid & L'hoid Props.	Mar. 31	390,794		82,979	169,765	45,000	45,000	6							17,021	360,616	39,656
Lowell & Christmas	June 5	181,654		55,231	136,011		54,612	10							619	233,446	56,342
Lumsden (Ceylon) Tea, &c.	Mar. 31	258,680		55,231	136,011	6,000	2,875	2							1,570	37,162	Dr. 110
McCormick (R. S.)	Dec. 23	29,636	1,500	6,305	10,119	60,000	20,000	10							7,374	147,781	84,026
MacIntosh (John) & Sons	Dec. 31	151,120		87,374	229,555	1,842	9								643	16,901	4,764
Mayfield (Dumbaba) Tea of Ceylon	Dec. 31	13,025	122	2,921	1,322		1,842	9							4,307	224,383	45,295
Meadow Dairy Co.	Jan. 2	208,444	16,435	71,409	140,066	31,875	35,227	12 1/2									
New Brunswick Gas and Oil	Dec. 31	33,614		3,306	11,240										3,306	36,550	206
Newnes (George) Limited	Dec. 31	138,623		108,123	162,847	41,273	50,000	10	15,000						9,435	120,970	95,387
Nuttall's Breweries	June 30	138,623	1,500	66,435	98,003	42,000	15,000	7 1/2							1,850	211,345	62,494
Oceana Development Co.	Mar. 31	5,965	26	2,456	5,048		3,121	3 1/2							665	5,212	2,247
Olshon's Cape Breweries	Mar. 31	692,276		155,769	231,737	11,500	90,000	15	50,000						4,269	524,992	158,595
Oregon Mortgage Co.	May 31	26,164		11,864	31,440	6,750									5,000	114	26,671
Parkland Manufacturing	Feb. 28	30,462	2,942	70	8,030		29,700	13 1/2							1,356	35,391	134
Patterson Royalties	Dec. 31	638		27,524	66,948	13,750	13,125	5							649	39,155	29,055
Portsmouth (C. Arthur)	Mar. 31	32,874		59,201	100,466	24,600	30,000	15							4,601	169,558	45,630
Raglan Properties Trust	Mar. 31	21,605		2,986	12,743		22,183	20							2,458	22,459	1,420
Rolls-Royce Limited	Dec. 31	569,915		231,415	275,507		227,183	20	9,350						517,972	229,472	20
Sangers Limited	April 30	233,317		115,100	229,336	1,275	67,809	8	10,000						18,666	241,399	88,963
Scottish-American Mortgage	May 31	124,871		51,188	166,022	28,129	12,678	8							381	122,643	49,105
Scottish Tea & Rubber Trust	May 31	4,147		2,854	11,878		3,800	4	25,000						946	9,850	8,779
Scribbans & Co.	April 30	118,959	31,444	85,515	146,912		62,333	5 1/2							1,818	118,571	83,880
Spear & Jackson	Dec. 31	60,515		29,555	35,885	4,000	20,625	12 1/2	5,000						70	64,675	29,681
Stephenson, Clarke & Associated Cos.	Mar. 31	678,720	140,360	203,518	336,888	40,500	93,750	12 1/2	50,000						19,268	673,417	128,087
Sterling Securities Investment	May 31	501		501	22,020										501	490	490
Sutton's Cash Stores	April 3	75,209		10,970	21,074	4,188									6,782	68,290	8,005
Tai Company Limited	Dec. 31	36,616	2,280	17,468	47,791	29,153	8,356	24							955	41,030	15,421
Thornhill's Brewery	Feb. 28	18,277		280,563	598,824	26,518	247,500	18 1/2							6,545	435,662	27,486
Tunnel Asbestos Cement	Dec. 31	54,122		14,013	234,946	10,000	55,364	12	50,000						1,351	274,85	82,241
United Dominions Cement	June 30	5,231	18,853	13,326	22,678</												

Other Companies

Totals (1900's):		July 21, 1943, to August 4, 1943.		January 1, 1943, to August 4, 1943.		Free of Tax.		(c) 100,000 Provision for Costs of Debenture Conversion.		(c) 15 months.		(d) 21 months.	
No. of Cos.	20,852	1,352	5,598	9,833	1,433	3,498	561	106	18,750	4,980	...	...	...
1,252	259,168	21,955	111,608	193,307	25,878	70,197	12,592	2,941	252,827	108,736	...	...	...
Amalgamated Metal Corporation	Mar. 31	218,495	...	212,347	248,513	94,000	155,263	7	...	...	...	...	...
Amalgamated Tea Estates	Nov. 30	560,513	22,356	80,938	181,639	10,500	66,968	34	...	...	...	...	...
Amblanama Tea	Dec. 31	9,397	1,407	2,545	3,243	...	2,320	5	...	...	...	...	...
Anglo-American Direct Tea Trading	Nov. 30	857,761	33,932	79,520	167,822	30,000	49,678	7	...	...	...	...	...
Anglo-Portuguese Telephone	Dec. 31	515,365	...	52,627	91,061	...	51,975	8	...	...	...	...	...
Apollinaris & Presta	Dec. 31	16,635	...	Dr. 34,133	Dr. 176,598	...	...	...	...	...	...	...	...
Associated British Picture Corporation	Mar. 31	1,231,996	175,000	(c) 259,394	435,340	60,000	175,000	173	100,000	-75,606	1,246,257	376,595	15 1/2
Benn Brothers	June 30	110,578	200	40,053	54,048	4,805	23,585	15 1/2	10,000	+1,663	89,887	30,481	300
Bolivian & General Tin Trust	Mar. 31	5,175	...	3,918	5,337	...	...	...	...	...	...	...	...
Borneo Company	Mar. 31	Dr. 33,518	...	Dr. 33,518	12,247	...	...	...	Dr. 15,000	+18,518	66,702	4,044	10 1/2
Bulmer & Lumb	April 30	23,508	1,640	14,062	16,355	...	5,750	10	...	+8,332	23,517	14,139	10
Cairn Line of Steamships	Dec. 31	45,914	...	27,438	34,230	...	12,000	4	12,500	+3,338	45,927	35,927	4
Chubwa Tea	Nov. 30	192,887	125,000	18,459	38,776	3,710	13,250	124	...	+1,499	149,628	18,403	15
Consalt Iron Co.	Mar. 31	867,766	125,000	131,072	323,785	20,000	105,000	74	...	+6,042	690,375	103,265	17 1/2
Consolidated Tea and Lands	Nov. 30	1,491,641	22,832	103,042	344,636	78,000	120,000	10	...	+5,042	1,269,996	200,250	14 1/2
De la Rue (Thomas) & Co.	Mar. 27	39,922	...	177,914 (c)	239,608	...	121,450	35	50,000	+6,464	268,377	62,214 (d)	940
Duff Development	Jan. 2	Dr. 2,081	...	Dr. 2,081	3,013	...	...	...	...	+2,707	9,193	7,745	Nil
Eastern India Rubber & Prod. Trust	June 30	3,725	...	2,707	14,356	...	8,000	10	...	+2,910	126,536	20,704	10
East India Distillers	Sept. 30	129,064	19,243	24,910	37,682	...	5,325	8	...	+10,164	60,084	11,835	Nil
Esfield Furniture Manufacturing	Feb. 28	69,483	3,214	15,489	568,061	30,000	187,500	15	...	+20,517	568,135	137,589	124
Finlay (James) & Co.	Dec. 31	668,848	87,966	100,174	152,105	7,000	445,500	12	50,000	+1,826	442,536	97,941	15 1/2
Fisher & Ludlow	Mar. 31	474,449	...	16,856	38,097	8,750	3,750	5	6,525	+2,169	45,428	15,903	5
Gairds (Brookside Brewery)	Mar. 31	459,588	...	60,999	92,552	7,028	52,258	15	...	+812	148,718	59,287	10
Greenwood & Batley	Mar. 31	150,345	31,000	23,718	40,318	...	20,833	124	...	+2,885	49,090	22,860	10

	1943	1943
MISCELLANEOUS		

Lansdown Hills Produce	Mar. 27	256,468	47,524	93,083	170,096	33,293	33,750	6	...	...	4,945	379,198	4,823	NH
Lipson Limited	Jan. 2	356,777	61,832	28,805	42,589	...	...	...	...	15,000	+ 17,366	360,616	39,755	NH
London County F'hoid & L'hoid Proprs.	Mar. 31	390,794	...	61,021	301,031	28,655	...	6	...	...	+ 7,021	188,825	90,036	6
Lovell & Christmas	June 5	181,654	...	82,979	169,765	45,000	54,612	10	...	...	+ 619	233,446	58,242	24
Lumiva (Ceylon) Tea, &c.	Dec. 31	258,680	...	65,231	136,011	...	...	24	...	...	+ 1,970	147,781	84,026	10
McCull (R. S.)	April 23	29,636	1,500	6,305	20,119	6,000	1,875	24	...	...	+ 7,374	18,901	4,764	10
Macintosh (John) & Sons	Dec. 31	12,120	...	87,374	229,555	60,000	20,000	10	...	...	+ 643	18,901	4,764	10
Mayfield (Dumball) Tea of Ceylon	Dec. 31	13,025	122	2,521	8,575	1,322	1,642	9	...	...	+ 4,307	224,383	45,295	10 & 24
Meadow Dairy Co.	Jan. 2	208,444	16,435	71,409	140,066	31,875	35,227	124	...	...	...	...	...	24
New Brunswick Gas and Oil	Dec. 31	33,614	...	3,306	11,240	...	...	...	...	15,000	+ 3,306	36,550	206	NH
Newnes (George) Limited	Mar. 31	138,623	...	104,123	162,847	41,273	50,000	74	...	...	+ 1,850	120,970	95,387	74
Nutall's Breweries	June 30	256,285	1,900	66,435	98,003	42,000	15,000	74	...	...	+ 9,435	211,345	62,494	74
Oceana Development Co.	May 31	5,365	26	2,456	5,048	...	3,121	31	...	...	+ 665	5,212	2,247	34
Olshon's Cape Breweries	Dec. 31	692,276	...	155,769	231,737	11,500	90,000	15	...	50,000	+ 4,269	524,992	158,595	15
Oregon Mortgage Co.	Mar. 31	26,164	...	11,864	31,940	6,750	...	134	...	5,000	+ 114	26,671	6,750	NH
Parkland Manufacturing	Feb. 28	30,462	2,942	38,556	47,649	...	29,700	134	Dr. 2,500	...	+ 2,570	20,933	10,244	75
Pataling Royalties	Dec. 31	638	...	70	8,030	...	...	5	...	...	+ 649	39,155	32,805	75
Pearson (C. Arthur)	Mar. 31	32,874	...	59,201	100,466	24,600	30,000	15	...	...	+ 4,601	166,695	45,630	75
Raplan Property & Brighton Utd. Breweries	Mar. 31	218,505	...	2,986	12,743	...	...	20	...	...	+ 2,986	257,972	229,472	20
Rolls-Royce Trust	Dec. 31	559,915	...	231,115	275,507	19,275	67,809	23	9,350	18,666	+ 241,399	88,963	20	
Sangers Limited	April 30	233,517	...	115,100	229,316	28,129	12,678	20	10,000	+ 381	122,643	49,105	7	
Scottish-American Mortgage	May 31	124,871	...	51,188	11,878	...	8,800	5	...	...	+ 946	9,850	8,779	5
Scottish Tea & Rubber Trust	May 31	4,147	...	2,854	146,912	...	62,333	4 & 15 1/2	25,000	+ 1,818	118,571	83,680	54 & 15 1/2	
Scribbans & Co.	April 30	118,959	31,444	85,515	...	...	...	124	...	5,000	+ 70	64,675	29,681	124
Spear & Jackson	Dec. 31	60,515	...	29,555	35,865	4,000	20,625	124	50,000	+ 19,268	673,417	128,087	10	
Stephenson, Clarke & Associated Cos.	Mar. 31	678,720	140,360	203,518	336,888	40,500	35,750	124	...	...	...	490	4,900	NH
Sterling Securities Investment	May 31	501	...	501	1,020	...	...	...	...	...	+ 6,782	68,290	8,005	NH
Seward's Cash Stores	April 3	75,209	...	10,970	21,074	9,212	6,300	34	2,000	...	+ 44	41,030	15,421	34
Sudan Salt Limited	Dec. 31	36,616	2,280	17,468	47,991	29,153	8,356	24	...	...	+ 955	16,306	27,4	
Tati Company	Feb. 28	18,277	...	280,563	598,824	26,518	247,500	18	...	...	+ 6,545	435,662	7,486	18
Threfall's Brewery	June 30	411,422	...	114,013	234,946	10,000	55,364	124	50,000	+ 1,351	274,618	82,241	124	
Tunnel Asbestos Cement	June 30	269,984	18,853	13,326	2,667	5,760	7,500	5	Dr. 21,000	...	+ 1,054	48,229	Dr. 24,888	NH
United Domestics Trust	Dec. 31	55,122	...	1,015,659	297,625	420,000	...	84	50,000	+ 47,868	1,354,284	724,219	84	
Van den Berghs & Jurgens	Dec. 31	1,530,453	...	815,493	2,979	191	1,887	8	...	...	+ 91	7,160	2,104	8
Veltheke Tea Co. of Ceylon	Dec. 31	8,688	...	39,186	66,375	15,000	26,450	10	...	...	+ 215	46,768	42,311	10
Wagon Repairs	Mar. 31	45,207	...	36,054	77,301	31,570	124	124	...	...	+ 4,484	83,514	38,214	124
Wellman Smith Owen Engineering	Mar. 31	138,707	63,800	38,350	67,617	7,610	17,188	124	5,000	+ 8,552	116,051	30,238	124	
Wickman (A. C.)	Dec. 31	191,117	...	12,944	25,584	5,313	2,375	1	5,200	+ 56	65,794	12,196	124	
Wood Exchange & General Investm'ts.	Mar. 25	77,636	...	...	...	...	...	...	...	...	...	...	...	NH
Totals (1900's):												18,750	4,980	...
July 21, 1943, to August 4, 1943, ...	No. of Cos.	94	20,852	1,352	5,598	9,833	1,433	3,498	...	561	+ 106	18,750	4,980	...
January 1, 1943, to August 4, 1943, ...	94	20,852	21,955	111,606	192,307	25,878	70,197	...	12,592	+ 2,941	252,827	108,736	...	
† Free of Tax.	1,262	259,168	...	...	...	...	...	...	...	...	...	...	...	...
(c) Excludes £100,000 Provision for Code of Debenture Conversion.														
(k) 8-3924% on Ord. Shares and 15% on Deferred Shares.														
(s) 6% on Ord. Shares. Nil on Deferred Shares.														
(c) 15 months.														
(d) 21 months.														

(Continued from page 189)

United States. \$ (4.862) 4-024-034; mail transfers 4-024-034. Canada. \$ (4.862) 4-43-47; mail transfers 4-43-474. Switzerland. France (28-22) 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 (18-11) 7-58-62; Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$4-02-04; mail transfers 4-02-044. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Market Rates.—The following rates remained unchanged between July 31 and August 5th:
Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½-1. Belgian Congo. Francs 176½-2. China. National \$5-5½. Iran. Rl. 128-150.

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 16-02 pesos (July 28).

Forward Rates.—Forward rates for one month have remained unchanged between July 31 and August 5th:
Canada. 1 cent per par. Switzerland. 1 cent per par.

Fixed Rates for Payment at Bank of England to Clearing Offices. Spain.

(Continued from page 189)

United States. \$ (4.862) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4.862) 4-43-47; mail transfers 4-43-47½. **Switzerland.** Francs (25-22½) 17-30-40. **Sweden.** Krona (18-159) T.T. 16-85-95, bank notes at Bank of England, 17-40 kr. **Dutch West Indies.** Florin (18-10) 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 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate). **Turkey.** Piastre 500, liras 21.25 lire.

Market Rates.—The following rates remained unchanged between July 31 and August 5th:

Egypt. Piastres (97½) 97½-½. **India.** Rupee (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½-2. **China.** National \$5-5½. **Iran.** Rl. 128-150.

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 Argentina special account is 16-02 pesos (July 28).

Forward Rates.—Forward rates for one month have remained unchanged, follows: **United States.** 2 cent pm-par. **Canada.** ½ cent pm-par. **Switzerland.** 3 svs pm-par. **France.** 3 svs pm-par.

AMERICAN WHOLESALE PRICES

	July 27, 1943	Aug. 3, 1943		July 27, 1943	Aug. 3, 1943		July 27, 1943	Aug. 3, 1943
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			MISCELLANEOUS (per lb.)—			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, Sept.	143½	144½	Cocoa, N.Y., Accra, July	8-81	8-81	Rubber, N.Y., smkd. sheet spot	...†	...†
Winnipeg, Oct.	108½	108½	Coffee, N.Y., cash—			" Jan-Mar.	...†	...†
Maize, Chicago, Sept.	107	107	Rio, N. 7	9½	9½	Sugar, N.Y., Cuban Cents., 96 deg.	3-74½	3-74
Oats, Chicago, Sept.	68½	69½	Santos, No. 4	13½	13½	spot		
Rye, Chicago, Sept.	101½	100½	Cotton, N.Y. Am. mid., spot	21-15	21-22	Sugar, N.Y., 96 deg., No. 4, f.o.b.	...†	...†
Barley, Winnipeg, Oct.	64½	64½	" Am. mid., Aug.	20-23	20-36	Cuba, Mar.		
METALS (per lb.)—			Cotton, Oil, N.Y., May	13-95	13-95	Moody's Index of staple com-	244-1	244
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 barrel	117	117			
Lead, N.Y., spot	6-50	6-50						
Spelter, East St. Louis, spot	8-25	8-25						
			† Trading suspended.			‡ Nominal.		

† 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

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, CUBA and the WEST INDIES. All kinds of banking transactions undertaken with these countries and with other parts of the world.
London Office: 2 LOMBARD STREET, E.C.3
 R. B. BUCKERFIELD, Manager. DOUGLAS SAPTE, Asst. Manager.

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 - £81,000,000
 CLAIMS PAID EXCEED - £147,000,000
 (1942 Accounts)

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.

THE NATIONAL BANK OF SCOTLAND LIMITED

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.

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.

COMPANY requiring Investment in Ships' Mortgages invite applications from Accountants. Write Box No. 109, The Economist, Brettenham House, Lancaster Place, London, W.C.2.

DOMINION OF CANADA

TWO AND A HALF PER CENT. INSCRIBED STOCK.
 For the purpose of preparing the Interest Warrants on 1st October, 1943, on the above-mentioned Loan the BALANCE will be STRUCK on the evening of the 1st September, 1943, at 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.3. 3rd August, 1943.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5216

REGISTERED AS A NEWSPAPER

AUGUST 14, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

From Strategy to Politics - 193

Future of Broadcasting - 195

The High Cost of Milk - 196

NOTES OF THE WEEK - 198

Germany at Bay; The Russian Offensive; Programme for the TUC; The Older Women; Delay in Italy; Arab Federation?; A Canadian Election; The Doctors Reply; Production Statistics; Future of Air Transport; New Fire Guard Regulations; Requisitioning of Empty Houses; Shorter Notes.

LETTER TO THE EDITOR - 202

International Wheat Agreement.

AMERICAN SURVEY - 203

Congress Adjourned; The Arsenal Complete; Calling Up Father; Willkie at Work; Guns on the Right.

THE WORLD OVERSEAS - 204

Who are the Canadians?; China's Food; Finland's Economic Difficulties.

Who are the Canadians? - 204

Italy's Finances - 209

Fire and Accident Insurance 210

THE BUSINESS WORLD

BUSINESS NOTES - 212

Dividend Limitation; Richard Thomas; The Clearing Banks in July; Fiduciary Issue Regularised; Future of Road Haulage; Trebling the Output of Munitions; Coal Commission Stock; Managements and Production Committees; Germany to Repudiate Clearing Debts?; French Financial Unification; Mexican Hustle; Coal Mines Equalisation Fund; Man-power in Coal Mining; Workers' Incomes; Cocoa Regulations; Company Results.

COMPANY MEETINGS - 218

RECORDS AND STATISTICS - 220

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. ANNUAL SUBSCRIPTION £3.

From Strategy to Politics

THESE last weeks have brought a rip-tide ebb in the military fortunes of the Axis. Catania has fallen. Orel and Bielgorod have fallen. Kharkov is threatened. At home, Hamburg is in ruins and a million Germans are to leave Berlin. The Allies are beginning to reap the harvest of military decisions taken months and years ahead; and the results are not only military. The disappearance of Mussolini was the first sign of havoc on the political front. Even if the rot has not yet spread, it has begun, and the end of Fascism has put an end to the exclusively military phase of this war. The United Nations can now hope to achieve as much by political means as by military attack. The question is whether the political decisions necessary to meet this new phase are in fact being taken.

The parallel with the harvesting of military victory is extremely exact. Wrong decisions, half decisions or no decisions at this stage endanger peace just as bad military preparations, bad training and faulty strategy nearly lost the United Nations their war in 1940—before two of the greatest were even in it. The chief political decisions on which agreement must be reached are fairly obvious. What is the policy of the United Nations towards governments of the Badoglio type, which, having already appeared in Italy, may appear in other satellite countries and even in Germany? Since it is almost certain that these "shadow governments" will

prove to be temporary phenomena, what type of government will the United Nations accept as part of their final settlement? Again, although it is impossible at this stage of hostilities to come to any detailed decisions on the future territorial settlement in Europe, it is essential to agree on the general principles which will govern those decisions. In the wider field of the United Nations, taken as a world-wide confederation, what kind of international institutions—economic and political—are to be built up to express their abiding purpose of working together? Lastly, underlying all local political, economic and territorial arrangements, what general outlook or philosophy of life is to underlie the settlement?

This is the wide range of topics on which some kind of preliminary decision is essential—just as, ten or five or two years ago, decisions had to be taken in the military sphere; or, to give perhaps a closer analogy, decisions on such matters as finance, compensation, industrial location or land policy are needed now on the home front before any more detailed plans of reconstruction can be drawn up. It was difficult to get the necessary military decisions. It is difficult to get the needed decisions in home politics. But in both, it is a question of one of at the most two governments. The outlook for international agreement on political questions is far more delicate. The United Nations—28 of them—have to reach some measure of unity; and within that general

framework three Powers—Britain, the United States and the Soviet Union—have an especial responsibility to act together. This means, in effect, that Mr Churchill, Mr Roosevelt and Marshal Stalin should formulate a common policy. The major decisions rest with them.

What are the signs of an emerging political strategy? At the moment, very few. Of the three leaders, Mr Churchill and Mr Roosevelt have hitherto preferred to think of the war in military terms. Marshal Stalin, on the other hand, is thinking in military and political terms, but it would be difficult to say from external evidence what those political terms may be and whether they are capable of mutual adjustment with American and British ideas. Thus, with two of the great Allied leaders skirting the political problem and the third keeping his own counsel, there does not seem to be any good general ground for hoping that a joint political strategy will be carried out.

The lack of plan is confirmed when one turns to concrete problems. On the British and American side preparations for the reconquest of Europe have been mainly concerned with training British and American officers and civilians for administering the reoccupied territories. There may be agreement between the Foreign Office and the State Department on the procedure to be adopted, first with "pre-surrender" governments of the Badoglio type and later with the governments which will appear after occupation has occurred; but the evidence suggests that little has been done to expand or modify the military approach. On the Russian side tentative organs of political government have been set up, not representing the Russian military authorities but claiming to speak for the peoples themselves. The cleavage between the military and political approach seems absolute. Yet the situation can surely be clarified. The practice of dealing with Fascist or autocratic governments as an incident in a developing military strategy is not unknown at the Kremlin, while, on the longer view, there is nothing in the official line adopted by such bodies as the Union of Polish Patriots or National German Committee to suggest that they will be imposed on the liberated peoples as their future government. The divergence between the Russian and the Anglo-American approach is negative rather than positive. It lies in an apparent failure to agree on methods and areas of occupation, and on procedures for ensuring the emergence of popularly chosen governments. The danger is lest the negative approach of non-agreement should lead, as Europe collapses, to a positive clash of rival practices and ideas. There is, therefore, a most urgent need to reach at least preliminary agreement with Soviet Russia on the main lines of political principle and to associate the Soviet Government with the political agencies which are beginning to emerge. In spite of the usual ignorant clamour that can now be heard *crescendo*, it may be taken for granted that the desire for collaboration with Soviet Russia is nowhere felt more strongly than by the British and American Governments. If three-party integration both of military and of political strategy has not yet come about, the main obstacles are certainly not to be found in London.

The need for a joint approach is equally great on all problems concerned with territorial readjustment. In the last war the principle of self-determination as the norm for deciding what changes were justified was at least clearly established and accepted in advance. The position in this war is much more doubtful. Yet it is obvious that without some preliminary agreement on procedure the frontier problem may, by itself, wreck the peace. It ought to be possible to agree now on the principle that, save in certain cases which may have to be recognised as exceptions and therefore specified in advance, the frontiers of the United Nations as they were in 1937—before the Nazi upheavals—are to be regarded as the basis for discussion and that any changes from those frontiers shall be negotiated, not unilateral.

The outlook for joint agreement in the sphere of international organisation is perhaps more hopeful. Here, at least, a good deal of the preliminary discussions has been carried out in common and the recommendations

so far published bear the signatures of all the United Nations. The Food Conference at Hot Springs established certain agreed principles and made recommendations for some kind of international machinery. The United Nations Relief and Rehabilitation Administration is a joint structure and if it is used imaginatively, both by making full use of such existing instruments as the Combined (i.e. American-British) Boards, and by striking out boldly into such spheres as European transport and public utilities, it can provide the reoccupied areas with a number of functioning economic institutions planned on an international and regional basis, through which the energies of the victors and the liberated peoples can be turned at once to constructive work. At best, however, these are still only possibilities, and too much, in the sphere of economic plans, is still indefinite. For example, no agreed currency plan has yet emerged, and in the field of international capital development, no plans have even been published for discussion.

On the side of international political organisation there is little progress to report. By this stage of the last war, the general outline of the League of Nations had been sketched in, with collective security as its basis. What kind of security system is to underpin the victory of the United Nations? Is there to be any form of international military force? A United Nations General Staff? Regional agreements for pooled defence? Joint bases? International control of strategic points? It may be that more detailed plans have already been worked out on this fundamental problem of security. If so, it would be reassuring to have a hint of them at least as concrete as the reiterated pledge to disarm the aggressors.

Ambiguities shroud the future shape of political collaboration. In his March broadcast, Mr Churchill was at least more specific than the other leaders of the United Nations with his suggestion of continental and regional councils; but semi-official comment in Russia has dismissed some of his proposals under threat of dissolving the Anglo-Russian Treaty—a reaction which does not suggest that the plans outlined by Mr Churchill were drawn up jointly or are, in their present form, particularly acceptable as a basis for further discussion.

There is, finally, the problem of the colour or ideological bias of the Allies' political strategy. In 1918, it was clear, self-confident and remarkably effective. The alternative to the authoritarian regimes was put in terms of full democratic government. The imaginative pull of this ideal was a vital factor in the disintegration of the Central Powers in the summer of 1918. To-day, the people of Italy are showing that, after twenty years of total authoritarianism, the fundamental liberties of a constitutional and democratic way of life have not lost their appeal. Men still want to be free and want it with a passion which may well disconcert the British and Americans who have come to take it for granted. The danger is that the military approach which is still predominant in Britain and the United States may lead to an exaggerated emphasis on "order" and an equally exaggerated tendency to see "anarchy" in any popular civilian expression of the people's revolt against absolutism. Yet if the High Command or the authorities of Amgot use their power to check the expression of popular opinion and have neither the vision—nor the instructions—to canalise it into constitutional channels then undoubtedly the swing away from authoritarianism will carry the peoples of Europe far beyond the central position of a progressive and revitalised democracy. Yet this is the only position which could command both American and Russian support.

The outlook is not encouraging. It is of course possible that out of the joint meetings between Mr Roosevelt and Mr Churchill in Canada, a more positive and vigorous political line will emerge. It is unfortunate that their meeting will not be reinforced by the presence of the great absent and enigmatic third, Marshal Stalin. Yet the eleventh hour is sounding. If the decisions are delayed much longer, will they ever be taken. And if they are not taken, can there be much doubt that confusion, deception and even chaos lie ahead?

The Future of Broadcasting

DURING the debate on the adjournment of the House of Commons last week, the Minister of Information invited "a complete examination of the whole set-up of the BBC," whose charter is approaching its end. Among the subjects that are on the public agenda for reconstruction, there has been little mention of broadcasting. This is strange, for its present state can hardly be left alone. Far-reaching decisions will, in any case, have to be taken when the war is over. Broadcasting's period of early growth and experiment was hardly over by 1939 and the record of the BBC has not been very happy since then. So far as internal organisation is concerned, the BBC has not really settled down since Lord Reith left it. Its relations with the Government, which are not without complications in peacetime, have been frankly difficult in wartime—not necessarily by the fault of either party. And the service rendered to the British listener has not been good.

To these problems, which the war will bequeath for settlement to the peace, there should be added a number of difficult decisions arising out of technical development. How much effort, for example, should be devoted to television? At first sight, it might be supposed that the demand for television, however great the technical improvements that will be possible after the war, will always be less than for audible radio. But radio itself was officially pronounced, only twenty years ago, to have no future except as an enthusiast's fad, and if television were to succeed, for example, in bringing the cinema into the home, there might be an enormous future for it. There is another, even larger, technical problem ahead. It is the opinion of many experts that the broadcasting of the future, certainly in crowded areas like this island, will be brought into the homes of the people by wire, not by radio waves. The basic reason is that the ether is getting too crowded. It is already difficult to find wave lengths for all the programmes that are necessary to give a fully balanced service, and as the development of radio for purposes other than broadcasting continues, it may be necessary to relieve the overcrowding by putting the main programmes on to wires. The capital expenditure would be considerable (though probably much less than the capital that has gone into the telephone network), but the advantage would be great. The listener would get a greater number of programmes without interference. And the ether would be cleared for services which cannot use wires—among which, overseas broadcasting and a general service for remote country districts would have to be included. This possibility is not very generally known, but it has to be taken seriously.

The chief public interest in broadcasting, however, lies not in its technique but in the programmes. The present standard of BBC programmes for the home listener is low. For this it may be unfair to blame the BBC. War limits the wave lengths that can be used and compels a concentration on overseas and propaganda services. The home programmes are starved both of money and of effort. But there are further defects which cannot be explained in this way. Far too much of the output is mediocre (the news bulletins are the chief exception). Few of the comedians are really funny, the average standard of the musical programmes is not high, the talks are almost without exception banal. Partly this is due to mass production, to the difficulty of finding enough to put on the air for seventeen hours a day. This might excuse a low average, but not the absence of anything outstanding. The great vice of the BBC is timidity. The BBC is a monopoly, but it is in the opposite position to the traditional monopolist. It cannot defy the public; just because it is fair game for everybody, it cannot afford to offend anyone. If the churches want more religion, if the Welsh want more Welsh, if the Tories want less Socialism, if the internationalists want more pacifism, if more Russian and less German music is demanded on political grounds, if each of the United Nations has to have an equal measure of broadcast "salutes"—the BBC must listen to them all. It may not be able to gratify their positive wishes, but at least it can avoid offending their mutually offsetting phobias. The only way by which it can give tongue for 120 hours a week (which is one service only) without dangerously offending anyone is to take refuge in timid mediocrity. The BBC, in fact, exhibits all the vices that might be expected from a state-run cultural institution. It should not be blamed; it is doing its best.

This timidity does not emerge solely from the fact that the BBC is a Government body about which questions can (within limits) be asked, and motions made, in the House of Commons. Any monopolist broadcasting body would be in the same position. So long as it cannot, in the last resort, say to its critics "Programmes are a matter of judgment, and if you don't like our judgment, you can listen to somebody else's programmes," it must be a compromising body. Nevertheless, the element of political control, however much diluted, does reinforce this general tendency, and any attempt to increase it would make matters worse. If the BBC were made responsible to the House of Commons, if it were open to criticism by the House on the details of its activities, to which it could reply only through the mouth of a Minister who might, or might not, be sympathetic—in

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

such conditions, its programmes would become even more anodyne than they are.

If the test of a broadcasting system is the excellence of its programmes, the prescription should be not more public control, but less. But this issue is less important than that of monopoly. To continue with the present system would be to condemn broadcasting to the fate that would have attended the press if, from its birth, it had been nationalised, or the stage if there had never been more than two or three state theatres, or art if the only commissions were those to be obtained from public bodies. There will be no excellence without competition.

One preliminary recommendation can be made with some confidence. Foreign broadcasts should be completely separated from the home services. There are two main reasons for this. The first is that all foreign broadcasts have a tincture, large or small, of propaganda. Their purpose may not be to deceive, but it must be to persuade. They may tell the truth, but they can hardly tell all the truth, or emphasise the many-sidedness of truth. But there should be no element of propaganda whatever in the programmes provided for the British public in peacetime, and the only way of making certain of the distinction is to put the two programmes in the hands of separate bodies. (The Empire programmes might possibly remain with the home service, since their purpose is, or should be, information and entertainment, not propaganda.) The second reason is that the home listener's money ought not to be used to support overseas programmes, from which he derives no benefit. Overseas services should be run by a separate body, controlled and wholly financed by the state.

As for the home programmes, the qualities they chiefly lack and most badly need are life and variety. Variety is not met merely by serving up two or more basic programmes each of the same general nature. The listener should have available to him at any time—or at least in the chief listening periods—a choice between programmes of different kinds, so that he can have serious music, dance music, comedians, drama or talks as his taste dictates. An indication of the advantages of such a variety can be shown by the pleasure that it is to thousands of music-lovers to be able to listen to good music every evening during the Promenade Concert season—or, rather, the pleasure that it would be if the programme did not always have to be cut off just before the most interesting item. A varied broadcasting service would aim to provide those listeners whose chief interest is in good music with a programme to meet their taste every night in the year. Newspaper readers are not compelled, even in wartime, to read a single composite sheet, whether their preference is for *The Times* or the *News of the World* and radio listeners should have a similar choice, at least in the main centres of population. The requirement of life, or liveliness, is harder to define, but

no less conspicuously absent at present. Part of the remedy lies in encouraging the growth of personalities on the air, instead of doing everything possible to prevent it. Individual broadcasters should be allowed to do their best to interest, to please, if necessary to annoy—but, above all, to get some positive reaction out of their unseen audience, instead of being neutral voices reading scripts from which anything calculated to offend anybody has been carefully removed.

One obvious question is whether the financing of broadcasting by advertising would achieve these results. The chief example of this system is in the United States, and American broadcasting has much more to be said for it than might be thought on *a priori* grounds. It certainly has life and more variety than the BBC, and the advertiser's influence does not drag the programmes down to the lowest common denominator. But, on analysis, the virtues of American broadcasting are not due to its advertising sponsorship (except perhaps in respect of the ample funds that are thereby made available to the programme-builder) so much as to the fact of competition. The four big networks compete most fiercely and directly for the listener's and the advertiser's favour, and both liveliness and variety are due to that. Competition might achieve them without advertising—advertising without competition certainly would not.

The future basis for British domestic broadcasting should, therefore, be one of licence-financing combined with competition, thus including the best features of both the present British and American systems. If licence revenue alone cannot provide adequate funds, then (and then only) a certain minimum of advertising might perhaps be admitted in off-hours. But the essential thing is to secure competition, which would not only rescue the BBC from its present exposed position and remove the causes of timidity, but compel attention both to life and to variety.

This result would not be difficult to achieve. Let the state own the physical apparatus (whether by radio wave or by wire) and apportion its use to the competing broadcasters on an equitable basis. Let, say, three competing programme companies be chosen. If more than three otherwise qualified groups offer, let there be a competitive bid for the right to use the physical facilities. Let the contract include conditions which would specify the hours of broadcasting and the number and type of separate programmes to be transmitted. Let 25 per cent of each listener's fee go automatically to each of the programme companies. And let each listener, on paying his fee, nominate one of the three companies to receive the final 25 per cent of his fee. These details are, of course, only illustrative of a general principle, by which the interests of the state could be combined with a healthy liberty of development for the youngest art.

The High Cost of Milk

LORD WOOLTON is a popular Minister of Food, and his Ministry has probably received fewer kicks and more bouquets than any other Government department. The organisation and maintenance of food supplies, the rationing system, the priority scheme for mothers and young children, the establishment of British Restaurants—these and other measures have all contributed to the health and morale of the civilian population in wartime. In handling the food problem, the Ministry of Food has relied mainly upon securing the co-operation of the food trades, and its declared policy is "to avoid interference with the normal machinery of food distribution." This policy has its obvious advantages—the wheels of distribution have run smoothly, the men with experience and knowledge of trading have remained in charge. But it has its disadvantages also. Quite apart from the inherent dangers of allowing businessmen to exercise legal powers over the trades in which they them-

selves are interested, it may tend to perpetuate inefficiencies or excessive costs, which the war should have provided an opportunity to reduce.

An outstanding example is the distribution of milk. The organised distributors are pleased with the Government's policy, and with good reason. As the *Financial News* has pointed out, "it leaves the pre-war channels of distribution virtually intact." The producers are not pleased, but with less reason, since the cost of milk is still high—the legacy of the days of the Milk Marketing Board, when the producers were in sole charge and preferred to divert milk to manufacturing purposes rather than let it endanger the high structure of liquid milk prices. The consumers are neither pleased nor displeased, not being organised or vocal, and not having been so fortunate as the producers in enlisting Lord Beaverbrook as their champion.

The high cost of milk, owing to the expensive methods

of distribution and to the wide margin between the farmer's price and the ultimate price to the consumer, has been the subject of criticism by countless commissions and committees. The monotony of their conclusions is depressing. One and all were impressed with the "unnecessary elaboration and waste of effort" and the "excessive cost" of the distributive organisation. But in spite of their recommendations for securing economies, no action was taken either by the Government or by the trade itself. In September, 1940, the Perry Committee confirmed the findings of the pre-war bodies of investigation. It cited the example of certain co-operative societies to show that milk could be distributed cheaply. For instance, the Northern Co-operative Society, in Aberdeen, operated at a cost of less than 6d. per gallon, about half that of the large distributors in London, while four co-operatives in different industrial centres of England had an average cost of 6.85d. per gallon. Although these low margins may be exceptional, they show that there is room for considerable reductions in the cost of distribution, through the adoption of block selling and the elimination of unnecessary "service" competition. Lord Perry suggested that a margin of 8d. per gallon would be adequate; this would cover the costs of processing and bottling, the expenses of administration and selling, and wages, and would allow for a net profit of 1d. per gallon, which rate (according to the Food Council's 1937 report) would "certainly be liberal and probably more than liberal."

Like its predecessors, the Perry Report was relegated to obscurity. The Government, after nine months' delay, decided that "owing to the altered conditions obtaining since the date of the report," it was unable to adopt its proposals. The suggested margin of 8d. a gallon was considered insufficient, in view of the increased costs of operation, and recently the chairman of the Express Dairy Company said that it had been proved to be inadequate to the extent of over 3d. a gallon. Instead, a new scheme was introduced. In May, 1942, the Government issued a memorandum, setting out the proposed arrangements for marketing and retail distribution, and encouraging distributors to prepare rationalisation schemes on a voluntary basis. A cost structure was evolved which came into operation on October 1st, and was to be reviewed every six months. The details of the price structure are somewhat complex, but the salient features of the scheme are that the Ministry of Food has become the sole buyer of milk, utilising the Milk Marketing Board as its financial agent. It pays the producers a flat rate, fixes the basic retailers' margin, provides varying depot allowances and allowances for self-wholesalers (retailers who carry out wholesale services to their own retail branches) which increase with rising turnover. The amounts of the margin and the self-wholesaling allowance have been reduced as a result of the first six-monthly review, as is shown below:

	1st Oct., 1942	1st Apr., 1943
	Per gallon	
Depot allowance.....	1½d.	1½d.
Wholesale margin.....	2d.	2d.
Self-wholesale margin:		
Daily turnover, below 750 gallons.....	3d.	3d.
750-999 gallons.....	1d.	1d.
1,000-1,249 ".....	1½d.	1½d.
1,250-1,499 ".....	1½d.	1½d.
1,500 and over.....	1½d.	1½d.
Retail margin:		
London.....	11d.	10½d.
Provinces.....	10½d.	9½d.

The reductions represent a saving at the rate of £24 million a year and will be used to reduce the Treasury subsidy (amounting to £17 million a year) for the National Milk Scheme and the milk-in-schools scheme.

The present price structure is open to criticism on many grounds. The producers' objections have been strongly expressed both by Lord Beaverbrook and by Sir Thomas Baxter, the Chairman of the Milk Marketing Board. The producers resent the disappearance of the

"level delivery" premiums (i.e., premiums for regularity of supply), which has meant a loss for them of about £200,000 a year. But the fundamental basis of their opposition is that they have been pushed into the background by the distributors, and that the producer-retailers, who number about 60,000 and distribute some 20 per cent of the milk supply, not only receive less favourable treatment than the larger retailers, but are gradually being squeezed out of business.

The disappearance of the multiplicity of small producer-retailers need not in itself be regarded as an unmixed disadvantage. Many of them are of questionable efficiency and, owing to the absence of facilities for pasteurisation, their milk is not always up to the desired standard of cleanliness. But their elimination and the consequent strengthening of the larger distributors is being brought about without any direct benefit accruing to the consumers. The discrimination in the rate of allowance, which rewards the big concern not on the basis of service but on the basis of size, is peculiar. Though the big firms operate in the large cities, where costs might be expected to be higher, it is also true that the economies of large-scale operation apply in the case of milk distribution, where costs can be spread over a larger turnover. One effect of the present scheme is to increase the size of individual businesses, in order to secure the higher margins that result from an extended scale of operations. Another is to lengthen the chain of distribution. More milk is passing through the wholesalers' hands and Sir Thomas Baxter has stated that many retailers are now buying from wholesalers instead of from the farm, as they did before. The co-operative societies, which handle about a third of the nation's milk supply, are in a special position. They obviously benefit from the present high margins, but any advantages they receive thereby are returned to their consumers in the form of dividends.

The arguments of the distributors are that, although their costs have risen enormously since the war, there have been no corresponding increases in their margins, and that the increasing self-wholesaling allowances are in fact justified by the greater expenses of wholesaling for a number of different branches. They point out that considerable savings in manpower, petrol and mileage have resulted from their rationalisation schemes. Indeed, these savings and the reduction in the distributive margins are surely the most complete admission that costs were excessive before, and lead to the conclusion that considerable further reductions could be made. It should be possible to use the savings to reduce the retail price of milk, which has increased by 32 per cent since September, 1939, more than practically any other basic food.

The current controversy about milk distribution is, of course, of very great significance for the future. The representative body of the distributors, the Central Milk Distributive Committee, last week submitted to the Government its policy for the milk industry. The Committee recommends the setting up of a Milk Industry Council, under an independent chairman and vice-chairman, with nominees of the Ministries of Food, Agriculture, Health and the Board of Trade, and representatives of the producers' and distributors' boards. It would be responsible to Parliament for the determination and execution of a national milk policy. It would purchase all the milk from the producers and dispose of it to distributors and manufacturers at prices which would be fixed on the basis of agreed estimates of costs. Prices to the consumer would also be fixed. The Council would deal with marketing control and standards of cleanliness, and it would operate the milk-in-schools scheme and other social service schemes. The statutory producers' board would deal with such matters as the methods of increasing production and quality, and the distributors' board with rationalisation of deliveries and transport arrangements.

The acid test of this scheme must be its probable effect on the consumer. The Committee's statement that the Milk Council would determine such a price structure as would give "a reasonable return to producers, distributors and manufacturers, thus ensuring a fair deal

to the consuming public" (our italics) seems altogether a non-sequitur. If the various sides of the industry can get together and produce a plan which results in the maximum supply of milk of the highest quality at the lowest possible price to the consumer, there can be no complaints. But if the scheme results in the perpetuation of a price structure such as the present one, then it would not be acceptable. It would have all the disadvantages of the old Milk Marketing Board, and more, since the distributors and not the producers alone would be represented. It is argued that the responsibility of the Council to Parliament, and the presence of Ministerial nominees would provide an adequate safeguard for the consumers' interests. Government pressure on trade bodies has not been very effective in the past in reducing the cost of milk, and Members of Parliament would have to develop qualities they have not hitherto possessed if they were to succeed in seeing that producers and distributors did not enforce a price for milk which served their own ends, but was unduly high to the consumer.

The nutritional value of milk does not need to be stressed. It is by far the best single food available, and it is essential for growth and health. Indeed, if the aim of post-war policy is to be to support an increased population at higher standards of living, then the provision of

milk must be the first consideration. The Government are subsidising milk, particularly for mothers, infants and children, and the continuance and extension of this policy after the war was one of the most important recommendations of the Hot Springs Conference. This would probably involve a continued subsidy, and it is right and proper that the state should bear a proportion of the cost of such schemes. But apart from the priority classes, there needs to be a truly enormous increase in the consumption of liquid milk by ordinary consumers. The objective should be the provision of abundant, clean and cheap milk for the consumer. This is really a very simple object of policy, which can hardly be challenged. Yet in the past ten years the state has lent its assistance to schemes which have kept milk off the liquid market, which have steadily raised its price and have made entirely inadequate efforts to ensure its cleanliness. It needs to be said with all due emphasis that further proposals along the familiar lines of organisation of the trade, by the trade, for the trade—whether "the trade" means the producers or the distributors or both—are most unlikely to satisfy the elementary requirements of a rational milk policy and may lead to further back-sliding. There is an urgent need for an entirely fresh approach to a problem which is the touchstone of all nutrition policy.

NOTES OF THE WEEK

Germany at Bay

It is tempting to compare Germany's position in August, 1943, with the state of the Reich in the summer of 1918. On July 16, 1918, Marshal Foch counter-attacked on the Marne, and on August 8th the British launched their offensive at Amiens. These actions proved to be the beginning of the end. They delivered the final blow to an economy which was already breaking under the exhaustion of an all-out war effort and to a morale which the blockade had seriously undermined. That there is an analogy, no one will doubt. The British and American victories in the Mediterranean and the vast Russian counter-offensives might well be the military counterparts of the Allied summer offensive of 1918. The German economy now, as then, is overstrained. Morale is weakening, not so much from blockade as from the far more terrifying weapon of the bomber. There are signs, too, of hesitation and breakdown in the present political leadership in Germany. Hitler fell silent after the disaster of Stalingrad and it was Goebbels' task to take up the propaganda of "total mobilisation." Now in this new series of disasters, Goebbels is silent. He even failed to write his regular article in *Das Reich*. No explanation of the Mussolini debacle has yet been given to the German people, and it is obvious that in recent weeks the Germans, who in the last ten years have been accustomed to having every event interpreted to them, have been left without any sort of clear political guidance. The difficulty is, of course, that the Nazi regime was a success regime and now that the only two alternatives facing the German people are a fairly rapid collapse or a long drawn out phase of defensive warfare, faced with bombing and culminating in defeat, the Nazis have really nothing to say. As the reactions of any nation show in wartime, there is only one good medicine when a people is on the defensive and that is the belief that the hour of the offensive will surely come. It is interesting to notice that the only German spokesman who in the last weeks has given any sort of constructive leadership to the German people is General Dittmar, who has tried to prove that the defensive phase is only temporary, that Russia is more exhausted than Germany, and that the present "lull" is being used to muster overwhelming forces for the final settlement.

Does all this confusion and discouragement amount to an imminent Nazi collapse on Mussolinian lines? It is both difficult and dangerous to prophesy, but the evidence from Germany suggests that the political crisis there is not nearly so highly developed as it was in Italy. The meeting of all the military and civil leaders at Hitler's headquarters is not a parallel of the meeting of the Fascist Grand Council. On the Home Front, the Nazi Party, through its control of the *Gestapo*, is in an infinitely stronger position than the

Fascists ever were. It is significant that the Nazis are preparing the large scale evacuation of big towns and launching a big programme for air raid shelters. This does not suggest a Party which is acquiescing in its own defeat. Moreover, the alternatives to Nazism in Germany are far less clear. There is no king. The rationalisation and control of industry have gone much further. There is no single, influential Church; and the Army, although it is clearly the only immediate alternative source of authority, is itself in rather an equivocal position. If the *Wehrmacht* dropped Hitler as Badoglio dropped the Duce, where would the centre of authority lie? With the Old Guard Generals such as Brauchitsch, Halder, Bock or von Blomberg? Or with the strong and privileged Pretorian Guard of the *Waffen SS*, who are at this moment self-confident enough to be conducting a vigorous recruiting drive all over Europe? In the last analysis, it is only when the conviction of defeat has been fully accepted by Army and Party alike that the manoeuvring will really begin. The German authorities probably do not now expect victory, but they are still unconvinced that the coalition ranged against them can bring them to defeat.

The Russian Offensive

The present Russian offensives are, in a sense, the resumption and continuation of the great winter offensive which came to a standstill in February. The tempo of the Russian advance is perhaps less sweeping now than it was in the winter; but tactically the present Russian achievement is much more remarkable. This time the advance is being pushed home not against an enemy who had overstretched his forces in a reckless offensive, but against very solid and well-prepared defences in depth. In the course of the past week, the Russians have moved forward from Orel along the Orel-Briansk railway, and they have reached Khotinetz, roughly half way to Briansk. In the south the advance has been even more spectacular. Bielgorod is now 50 to 70 miles behind the front, and Kharkov, enveloped from the east, north and west, can be expected to fall in the near future. German reports speak of renewed heavy fighting in the Vyazma sector and on the Donetz. Thus the local offensives on the various sectors are tending to merge into a general offensive along the whole length of the front. The Russians seem to have lost no time in accumulating sufficient reserves for a determined bid to regain Smolensk and the Ukraine east of the Dnieper "before the leaves of autumn fall." The recapture of Kharkov would again place the railways of the eastern Ukraine at the disposal of the Russian High Command, and thus improve their transport facilities for a sustained and decisive offensive. Yet the recapture of Kharkov cannot be properly consolidated before the

Germans have been driven from the Donetz basin. So far reports suggest that the Germans are withdrawing from the Kharkov area, but not from the Donetz. Incidentally, the whole offensive has been powerfully helped by supplies under Lend-Lease. It was announced recently that more than 100,000 lorries have been supplied to the Russian fronts. This amount of motorised equipment would give a high degree of mobility to about 100 divisions, and there can be little doubt that many of the grave transport problems involved in mounting the present offensives have been mitigated, if not overcome, by the use of imported lorries and trucks.

Programme for the TUC

The agenda for next month's meeting of the Trades Union Congress reflects the very great interest which the trade union movement is taking in problems of post-war reconstruction. The Amalgamated Engineering Union has put down a long and comprehensive resolution, based on the decisions of its annual conference, which calls for the intensification of war production. But the main interest of the Congress will be centred upon the resolutions dealing with the future control of industry and the part which the unions can play in the reconstruction of the nation's social and economic life after the war. The Miners' Federation invite the General Council to examine the methods of wartime control, with an eye to the desirability of extending such wartime legislation and regulations as benefit the workers. This resolution strikes at the root of the matter, and it will be interesting to see whether the unions will be prepared to accept continued responsibilities in return for continued benefits, and, if so, which. The demands for nationalisation are worded in an original form. The National Union of Public Employees, believing that "the failure of private enterprise and the proven advantage of State control in the war industries will, if properly explained and portrayed, do much to convince the British people of the desirability of instituting the social ownership of our industry," calls for the formulation of an industrial programme, and suggests a levy of 3d from each of its own members to finance a campaign. The Mental Hospital and Institutional Workers' Union are putting forward a "Home Charter" on the same lines as the Atlantic Charter, which would guarantee to every British citizen the four "decencies" of a job, a home, social security and education. The most controversial topic will, perhaps, be the question of the post-war treatment of enemy peoples. The National Union of General and Municipal Workers declares that the German people cannot escape responsibility for starting the war, and for the army's crimes; it calls for the disarmament and re-education of Germany after the war. If the big unions support this motion, the TUC, like the Labour Party, will be committed to a policy which sounds like undiluted Vansittartism, and may do as much harm in the long run as the "war guilt" clause in the Treaty of Versailles did after the last war. It will be interesting to see what reply the General Council will give this year to the demand that has been made by several unions for a review of trade union structure, so as to avoid overlapping and competition. Last year Sir Walter Citrine rejected a similar proposal from the National Union of Railwaymen, on the ground that it would be impracticable and would interfere unduly with the autonomy of individual unions.

The Older Women

The Government's announcement that there will be no call-up of the women aged 47-50 before the House of Commons reassembles and can discuss it further has had the effect of temporarily silencing the critics. There is no real concession involved. It so happens that arrangements have been made to register the 18 and 19 year olds in August and the 47-50s in September and October; thus the House will have reassembled by the time the latter are summoned for interview, and an early debate on the whole manpower situation has been promised. This will allow Mr Bevin's opponents to air their grievances over a wide field—the basis of the opposition to the mobilisation of the 47-50s is now tending to shift from the hardship that will be caused to the women concerned, and their households, to the waste of manpower and manpower in the Civil Service and to the under-employment of women in the Services. There is a certain amount of substance in these criticisms. The comb has not been fine enough, and in the armed forces the replacement of men by women has

not gone so far as was originally planned, partly, no doubt, owing to the obduracy of local commanding officers. But these are no reasons for exempting any older women who are available for war work. Mobilisation of manpower and the efficient use of manpower are not alternative policies; they are complementary. It has been officially said that most of the 47-50s will be considered immobile, but even within this restriction there is much that they could do to make the manpower, or rather the womanpower, that has already been mobilised more efficient. At present, a vicious circle has been reached. More younger women would be free for part-time work, and more part-time workers could take up full-time work if domestic difficulties such as the care of children could be solved. Yet the very completeness of mobilisation leaves little labour available for staffing day nurseries, for home helps or for keeping such essential services as laundering on an adequate basis. It is for these sort of tasks, which oil the wheels of manpower policy, that the services of the older women are most needed.

Delay in Italy

The Italian situation is confused. At the centre, the Badoglio Government is trying to manoeuvre its way towards a negotiated peace, so that the Italian mainland shall not become a theatre of war. There have been rumoured offers of "strict neutrality," with the Italian mainland as a species of buffer state between Sicily and the Brenner. Unfortunately for Badoglio, there is no offer he can make to the Allies which will not involve him in hostilities with the Germans. If he gives an "unconditional surrender," he evacuates his troops from the Balkans, and throws open Italy's ports and airfields to the British and Americans, the Germans will retaliate in the north of Italy, where they are quite firmly established. If, on the other hand, he does not give an unconditional surrender, the Allies will go on attacking until he does. So far, he has opted for this second alternative, and Allied raids on Italy have started again. It is doubtful whether Badoglio will be in a position to decide on peace or war for very much longer. The x in his complicated equation is the mood of the Italian people, and they are coming out more and more clearly for peace at any price. He has tried to conciliate them with political sopas such as an investigation into the fortunes of Fascist leaders, the reinstatement of the Jews, and the abolition of Fascist education. But the evidence of strikes and riots accumulates. Peace and peace only is the people's aim. It follows that the Allies must do all in their power, by direct propaganda and by their policy towards Sicily, to encourage the forces of popular protest.

Arab Federation?

The Prime Minister of Iraq, General Nuri es Said, has left Cairo after preliminary discussions with the Egyptian

1563



1831

MARTINS BANK LIMITED

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

Total Assets - £183,000,000

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2

Government on the possibility of an Arab confederation. The talks are described as encouraging and the Egyptian Government hopes to hold a pan-Arab Conference at Cairo at a later stage and carry the discussions out into a wider field. The difficulty facing Arab statesmen is the plain fact that while they have something to unite against—in general the continuance of direct British and French colonial rule and the problem of the Jewish minority in particular—they have nothing to unite for, and possess no positive aims with which to transcend their own local political and economic rivalries. Here the British Government has an undoubted opportunity for creative leadership. Mr Eden has blessed in general terms the idea of an Arab federation, and it is obvious that, both politically and economically, only some larger unit in the Middle East can provide a framework wide enough to permit a proper development of the region's resources and a reconciliation of the various minority interests. The Arab nations, without considerable encouragement, assistance and guidance, are almost certainly not in a position to bring the federation about. The British and the Americans are, however, in the unique position of having already forged an economic and social instrument of unity. The Middle East Supply Centre, if it can develop the positive side of its work through capital investment, technical advice, the fostering of joint projects, the improvement of agriculture and so forth, can cover and provide for a wide range of common economic interests. Under such conditions, a clear lead in the direction of federation from the Great Powers would not run counter to local interests. It would reinforce them. Without a functioning Supply Centre in the Middle East, there is no nexus of interests round which Arab unity can be formed. With it, a scheme of federation is possible and very desirable.

A Canadian Election

The defeat of the Canadian Liberal party in the Ontario elections is possibly the most significant event in the politics of the Dominion since the beginning of the war. There is, it is true, a plausible superficial reason for it. The Liberal Government had been in a precarious position ever since Mr Mitchell Hepburn resigned the Premiership last October. He had split his party by his opposition to the Federal Government—to which, as a Liberal, he should have owed allegiance—throughout his eight years of office, and, without his colourful and dominant personality, the remnants of his Government could hardly hope to survive. But there were also more fundamental factors at work. The Liberal party was defeated because for the first time in recent years there was a prospect of an adequate alternative Government. Mr Mackenzie King's sweeping victory in the Federal Election of 1940 was partly due to the fact that there was no real alternative to his policy—there was little difference, save in name, between Conservatives and Liberals. But, even then, the Co-operative Commonwealth Federation—Canada's Socialist party—was beginning to emerge as a political factor to be reckoned with; and three years of total war, with the emergence of Canada as a first-class industrial power, have strengthened its position. The CCF is not, however, now the only alternative to the Liberals. Mr John Bracken's election as leader of the Conservative party last December, his change of the party's name to Progressive Conservative, and his determination to carry his party along with him on a new programme, whose nature can be inferred from the change of name, may have given the Conservative party a new birth. Its triumph in Ontario is not quite conclusive evidence, since the Conservatives are traditionally strong there. But, nevertheless, it begins to look as if, from now on, the issue in Canadian politics will not be the false one between Liberals and Conservatives, but a straightforward one between Conservatives and the CCF, with the Liberals, unless they, too, can find new leadership and new ideals, withering away. The Ontario elections are indecisive as a first round of the new fight. The Conservatives, with 39 seats, are now the largest single party in the province, having almost doubled their representation, but the CCF now has 34 seats, where it had none before, and the Conservative Government will be dependent on Liberal votes—which it will probably get. What is more interesting, however, is the impetus that the elections in this largest and most powerful province will give to the belief that the end of the Liberals' long tenure of power in Federal politics is approaching. This view has been confirmed by the loss at by-elections of four Federal seats by the

Liberals—two in Quebec to members of smaller parties and two on the prairies to the CCF. The Liberals' only remaining asset is the prestige of Mr Mackenzie King—and that may not last much longer.

The Doctors Reply

The Council of the British Medical Association has submitted for consideration by the local divisions of the Association a statement of the principles which, it considers, should govern the organisation of the health services. Many of these principles will be acceptable to all concerned. That the medical services should be directed towards the achievement of positive health and the prevention of disease, as well as to the relief of sickness; that they should be co-ordinated by the application of a national health service; that the health of the people depends primarily upon their social and environmental conditions; that there should be no economic barriers to impede the utilisation of the medical services; that there should be a reform of medical education, with facilities for post-graduate study—these principles find a place in all official and unofficial pronouncements on the health services. Many people, too, will agree with the principles that free choice of doctor should be preserved, and that "it is not in the public interest that the state should invade the doctor-patient relationship," but that the state should confine itself to the co-ordination of existing services, augmenting them where necessary, and securing that they are available without economic barrier to all who need them. Where there will be controversy is over the principles which the Council of the BMA lays down for the benefit of the doctors: "that the state, while assuming responsibility for the organisation and provision of medical services, should not assume control of doctors rendering individual or personal health service. It is not in the public interest that the state should convert the medical profession into a salaried branch of central or local government service." This is in answer to the Ministry of Health's original proposal to the representative committee that general practice should be based on health centres, run by the local authorities and staffed by doctors working as their whole-time salaried officials.

Whatever the rights or wrongs of the principle, it is difficult not to sympathise with the doctors' reluctance to serve under the local authority. Some local authorities are a by-word among the medical profession for their indifference in respect of those branches of the health services within their jurisdiction. It is hardly surprising that a doctor is unwilling to become the paid servant of a local authority which neglects the environmental factors causing disease among his patients. And even the efficient local authorities interfere quite needlessly with their doctors' treatment of a patient. The question of a doctor's remuneration is more debatable. Some doctors hold that a salaried profession would be bad for the lazy; others that good doctors should be indifferent to the money incentive. From the point of view of the public, however, there is a danger that with a salaried profession it would be impossible to preserve free choice of doctor. If two doctors are working side by side on the same salary, one would hardly be willing to see twice as many patients as the other. In fact, the conclusion seems irresistible that the only way to encourage the efficient doctor and yet remove the economic barriers to treatment is by an extension of national health insurance. That it should include the dependants of the insured, and others of equal economic status, and cover consultant and specialist services and laboratory and hospital facilities, is recommended by the Council of the BMA for immediate application. It also proposes, as an immediate measure, that by arrangement between the Government and the profession organised experiments in group practice, including health centres of different kinds, should be undertaken. Thus, the disagreement between the BMA and the Ministry really boils down to, first, whether the central government or the local authorities should be responsible for the administration, the BMA favouring the former, the Ministry the latter; and, secondly, the remuneration of doctors. Neither obstacle to agreement should be insuperable.

Production Statistics

Some very interesting figures were given by the Minister of Production in reply to questions in the House

of Commons two weeks ago. The first question asked for information on the increase in the volume of munitions production in the United Kingdom since 1940. Mr Lyttelton, in reply, said "the total production of munitions" had risen from 100 in the first half of 1940 to approximately 300 in the first half of 1943. He also stated that the proportion of women employed in the engineering and allied industries has risen from 16.3 per cent in 1940 to 34.6 per cent in 1943. A second question asked for a comparison of the total munitions output of the United Nations and of the Axis powers and their satellites. Mr Lyttelton said that the best estimate he could give was that the total munitions production of the United Nations was, in the second quarter of 1942, little more than twice, and in the second quarter of 1943 more than three times, that of the Axis countries, and that in the same quarter of 1944 it will be more than four times the present Axis output. He added the very interesting estimate that of the present munitions output of the United Nations (including Soviet Russia), the United Kingdom contributes 17 per cent, and the rest of the Commonwealth and Empire about 5 per cent (of which the greater part must come from Canada). He did not give figures for other countries. But there have been statements from American sources that American output per head is now higher than British. If (as is possible) American output is about 60 per cent of the United Nations total, the output of Soviet Russia and the other United Nations comes out at about the same as that of the United Kingdom. All these figures, it must be presumed, are subject to a wide margin of error. But they are valuable as indications of the orders of magnitude involved.

Future of Air Transport

The latest contribution to the rapidly growing literature on the future of air transport comes from a committee of four Conservative Members of Parliament—Mr Ronald Tree, Mr W. R. D. Perkins, Wing-Commander J. A. Cecil Wright and Sir Alfred Beit. While their report contains nothing new, it is a concise formulation of some of the ideas which have found many adherents among business men in this country. On the subject of international relations in the air, the four MPs make three recommendations. First, they advocate an international convention regulating the conditions of air transport. The "right of innocent passage" and of emergency landing should be absolute and universal; the operation of air lines between two points in the same country or between related geographical areas should be a matter of domestic policy; the operation of international air lines between two nations or groups of nations should be arranged on the basis of freedom of entry. Secondly, they recommend the establishment of an international authority for the technical regulation of air navigation, that is, for the formulation of standards of technical practice affecting aircraft, personnel, air ports, navigation. Thirdly, they suggest the adoption of an agreed course of procedure for the promotion of air transport. As a preliminary to translating these three recommendations into practice through international negotiation, the committee emphasises the need for an agreed Empire policy—a need which was also emphasised in a statement issued last week by the Joint Air Transport Committee of the Association of British Chambers of Commerce and the Federation of British Industries. To this end the latest report suggests that the functions of the Air Registration Board should be enlarged and made analogous to those of the US Civil Aeronautics Board, to include the general duties of planning air routes and of hearing and deciding on applications of would-be air line operators. Moreover, it proposes that the Government should invite the Dominions to adopt a similar policy and to join with this country in constituting an Empire Air Board which would represent the British Empire in international discussions and facilitate the development of Empire air transport. Finally, the committee sets out its views on the conditions in which British air lines should be run. It holds that only one air mail contract should be awarded for any one route; that no "chosen instrument" should operate more than one route; that shipping, railway, road transport and other interests should not be debarred from tendering for mail contracts; that, in an emergency, all air lines should be controlled by the Government; and that all flying personnel should be in the Air Force reserve. As an alternative to complete internationalisation (which it is now clear is unattain-

able), the recommendations of the four MPs might form a useful agenda for discussion, possibly by an imperial committee. The final decisions, however, are a matter for international discussion, and care should be taken to avoid any binding commitments within the Commonwealth which might obstruct an international agreement.

New Fire Guard Regulations

The new fire guard orders both tighten up the former regulations and relax them in some respects. The provisions for enrolling men are tighter. The age limit for exemption has been raised from 60 to 63; no woman will be liable for duty at her place of work until every available man is doing 48 hours' duty a month; and men will now be liable for duty anywhere in the local authority area in which their place of work is situated, even if they live in an area where there is no compulsory enrolment. A woman will henceforward be exempt from liability to do fire guard duty at her workplace if she does a minimum number of hours of work there, and, in addition, keeps house for at least one other person besides herself. Economy of manpower will be secured by the extension of schemes for guarding blocks rather than individual buildings, and by making available for local authority requirements the number of people in excess of the "fixed team" required for each business or Government premises. A particularly sensible new provision is the power given to the Minister to allow, in less vulnerable areas and in lull periods, all fire guards on duty to be asleep at the same time. This provision touches on the fringe of what is really the problem of fire guard duty at the present time—the fact that very few of the members of the fire guard believe that they will ever be needed. They know that there has to be an insurance against air-raids, and they are prepared to put up with a certain amount of discomfort once a week in the belief that "it won't be for long now." But anything that the Ministry of Home Security can do to reduce to a minimum the discomfort and inconvenience imposed, while preserving the efficiency of the Fire Guard, will be wise and welcome policy.

Requisitioning of Empty Houses

Although local authorities have long had the power to requisition houses for evacuated and bombed-out families, and for transferred war workers, their authority apparently did not extend to the requisitioning of dwellings to alleviate the hardship of families living in overcrowded or insanitary houses. This anomaly has now been removed. On the recommendation of a conference of local government representatives, Mr Ernest Brown, Minister of Health, has sent a circular to local authorities authorising them to requisition houses, either furnished or unfurnished, "for the purpose of improving the conditions of families at present inadequately housed." It is expected that

the local authority, with their full knowledge of the conditions of their area, will use the wider powers to secure out of the accommodation available the greatest amount of benefit to those in need.

Capitalism, Socialism and Democracy

JOSEPH A. SCHUMPETER

In this brilliant and impartial survey of Capitalism, Socialism and Democracy the author discusses such questions as: Can capitalism survive? What is the relation between democracy and the capitalist order of things? Can socialism work? Is it compatible with what we usually mean by democracy? What form of society is likely to emerge from this war? Certainly this book gets down to essentials and lays a firm groundwork for constructive thinking and planning. 15s. net

GEORGE ALLEN & UNWIN LTD.
40 MUSEUM STREET . LONDON . W.C.1

While there are no statistics showing the number of unoccupied houses, their number must be substantial, especially in the middle-class residential districts in central London. Many of these Victorian houses could be made ready for occupation by one or more families with a minimum of expenditure. Care has been taken to avoid any abuse of the powers now given to local authorities. Before requisitioning, the intention of the owner or tenant is to be ascertained, and he is to be given a reasonable opportunity for letting or re-occupation. Each requisitioning notice must have the approval of the Senior Regional Officer of the Ministry of Health. The rents charged are to be equivalent to those that tenants might reasonably be expected to pay if they had made their own arrangements in the districts concerned. If a local authority incurs an excess of expenditure over receipts, the approved deficiency will rank for reimbursement by the Ministry. The new arrangements for ensuring a better utilisation of the available stock of accommodation are as sensible as they were overdue.

Shorter Notes

The Yugoslav Cabinet of M. Trifunovitch has resigned after six weeks of bitter altercations between the Croats and the Serbs. Reconciliation between the representatives of the two nationalities proved impossible, and now King Peter has appointed a "non-political" Government consisting of officials. The new Prime Minister, Dr Puritch,

Jugoslavia's former Ambassador to France, is a professional diplomat. The only member of the old Cabinet to stay in the new team is the Minister of War, General Mikhailovitch. But his appointment is primarily symbolical, and, in his absence, the Prime Minister himself will act as Minister of War.

The ban on the export of the *Daily Worker* has been lifted.

The Government issued a statement on Wednesday warning the Union of Post Office Workers, and any other Civil Service union which became affiliated to the TUC, that their members would be disqualified from the Civil Service, that is, they would lose their establishment and pension rights. A special meeting of the TUC General Council and the Executives of the Labour Party and the Parliamentary Party will be held next week to consider the situation, which is both critical and embarrassing, not least to the Labour Ministers.

As a consequence partly of an official Norwegian protest on July 15th, partly of the general change in the outlook of the war, the Swedish Government has cancelled the agreement with Germany, concluded in 1940, which empowered the Germans to make use of the Swedish railways in sending troops and supplies to and from Norway.

Letter to the Editor

International Wheat Agreement

TO THE EDITOR OF THE ECONOMIST

SIR,—The leading article in your May 8th issue entitled "A Hungry World" contained inaccuracies regarding the International Wheat Agreement which I would be grateful if you would correct.

1. You state that "... it is difficult to understand how British signatures came to be put to a document, even as a draft, committing the British Government to the maintenance of prices in the fixing of which it could be outvoted by the producers."

Paragraph 7 of the Memorandum of Agreement states that "in taking any decisions under this Memorandum and the arrangements of the Draft Convention which it brings into operation each of the five countries will have one vote and a two-thirds majority will be required for decision except as otherwise provided herein." The exception referred to is embodied in Paragraph 6 of the Memorandum: "The determination of prices required to be made in accordance with those arrangements" (i.e. the provisions of Article V of the Draft Convention) "will be made by unanimous consent."

The Washington Wheat Meeting considered various suggestions regarding provisions for voting. All shared the view that the same number of votes should be given to the importing countries as a group as was given to the exporting countries as a group. The decision taken was that the Draft Convention should contain no provisions for voting, as those to be included in the comprehensive international wheat agreement would be decided by the proposed fully representative international wheat conference.

2. You quote with approval a statement by the Food Research Institute that "... the Draft Convention for wheat ... is conceived in a restrictive spirit that is persistent and powerful. ..."

It would be difficult to substantiate this statement in the light of the voting provisions and the following additional facts:—

(a) The Agreement envisages an August 1st "ever-normal granary" in the four chief exporting countries of not less than 367 million and not more than 962 million bushels. In none of the 17 crop-years prior to the present war did the prospective August 1st carryover in these four countries reach anything like the maximum allowed under the Agreement; the nearest approaches were 730 million bushels in 1932-33 and 679 million bushels in 1933-34. In eight of the 17 crop-years prior to the

present war the prospective August 1st carryover in the four principal exporting countries fell below the minimum required by the Agreement.

(b) Under the provisions of the Agreement, the export quotas are automatically increased by whatever quantity the Council may decide to increase its estimate of prospective international trade in wheat and flour. Moreover, the Council is free to allocate to other countries any part of any country's export quota which the Council considers unlikely to be exported.

3. You state that "the price that the 'Big Four' producers wanted in 1939 to stabilise, with British assistance, was no less than 46 per cent above the open market price."

The draft international wheat agreement circulated to governments in February, 1939, by the Preparatory Committee (comprising the representatives of the governments of ten countries, including that of the United Kingdom) tentatively suggested a basic minimum price of 33s. 6d. per 480 lb. quarter for No. 3 Manitoba Northern c.i.f. London.

A revised draft drawn up by the Preparatory Committee in April, 1939, suggested a basic minimum price formula which represented at that time a price of about 31s. 5d. as compared with the August-March, 1938-39, actual price of 23s. 9d. per 480 lb. quarter c.i.f. UK ports—an increase of about 32 per cent.

The difference between 32 per cent and your figure of 46 per cent is significant, but, as I do not know the basis of your calculation, I do not wish to make an issue of the difference. The point I wish to stress is that "the open market price" upon which you base your comparison is not a representative price.

In an analysis of the price provisions of the Wheat Agreement in your issue of July 11, 1942, you stated: "The proper principle is plain enough. No control scheme must make the average price of wheat over a stretch of years, taking in a period of boom and a period of slump, any higher than it would have been in the absence of control."

During the 17 crop-years (August-July) prior to 1939-40 the price of imported wheat in the United Kingdom varied from minima of 22s. 4d. and 23s. 9d. respectively in the slump years 1933-34 and 1938-39 to a maximum of 62s. 8d. in the boom year 1924-25—the average during the seventeen-year period being 38s. 7d. c.i.f. per 480 lb. quarter. The comparable basic minimum price suggested by the Preparatory Committee in April, 1939, was 31s. 5d.—81 per cent of the average market price during the seventeen crop-years prior to the present war.—Yours faithfully,

A. CAIRNS.

International Wheat Council, Washington,
June 30, 1943.

AMERICAN SURVEY

Congress Adjourned

[FROM A CORRESPONDENT IN GEORGIA]

Atlanta, July 12th

AMERICANS have been suffering from a politico-emotional upset, due in part to the fact that displeased men are relatively noisy. Over a stretch of months Washington has been hearing, mainly, the voices of the angry, the disappointed and the confused; and Washington became a sounding-board for those voices. Thus, displeased Americans have influenced our representatives, and our representatives, by re-broadcasting what they believe to be the voices of the whole people, have influenced the rest of us. This situation has created an appearance that is more discouraging than basic facts justify.

A brief, cool analysis of the American political scene, as presented on front pages, will add to one's understanding.

The Congress has been in session a long time and has fought many hot legislative battles preceding America's active participation in war, and since. Members of the Congress are weary. They have not had their normal contacts with normal life at home. Because of their preoccupation with great tasks, and their exposure to pressure groups and to pressing individuals, some of them have been unable to appraise the home front accurately. Only occasionally have our national legislators had a few days off, and in the course of those days they have been rushed by home folks wanting jobs, wanting public projects, wanting changes in the operations of war agencies, wanting everything. They heard from and met only part of the public, but it seemed to them they had heard from and met all of the public—and that the public was deeply displeased.

An examination of congressional mail discloses the situation. Hundreds of thousands of tenants have been protected, by Government action, from rising rents, but no tenant writes to his Congressman to thank him for this protection. Landlords, who believe they have been unjustly handled, do the writing. Men who receive gasoline rations sufficient to carry on say nothing; but many men whose driving is severely restricted say much.

All this is natural. The man who has what he wants, who believes conditions are fair enough, goes on his way with no thought of thanking his representative; but the man who wants what he does not have, who believes he is unjustly treated, says plenty. This normal manifestation of human nature, and of liberty, is fundamentally good, though temporarily it may be disturbing in its apparent consequences. Immediate, superficial judgments often are insubstantially supported by *ex parte* showings.

But the representative's attitude is understandable. He has been away from home, overworking in Washington. He has received scores, hundreds, perhaps thousands, of letters from home, and these letters have presented the viewpoint of the men who are not getting what they want and what they believe themselves entitled to. Inevitably a man away from home who hears the same story from many sources believes it. And the story may be true. But it is not necessarily true. It may be, and probably it is, incomplete.

Most Americans were prepared, at the outset of war, to suffer seriously. Generally, it was conceded that "this war is different," that "this time people will not make money out of war," that "casualties will be enormous." But great suffering has not yet come to Americans as a whole. Money is being made out of war. Therefore, grim, quiet, united determination is not as evident as it would be if the war were harder, and as it will be if the war becomes harder. In these circumstances, men react to annoyances as if they were sacrifices. Human nature again.

But this brief analysis should not be interpreted to mean that any one believes all is sweetness and light on the political and economic front at home. It is presented merely as a balancing viewpoint, to be set against the disturbed viewpoint generally presented. It is a kind of cartoon essay; and a cartoon, as everyone knows, presents only one facet of fact or belief.

American Notes

The Arsenal Complete

Mr Nelson reported last week the completion of 82.5 per cent of the \$14½ billion Government-financed war facilities programme, and 90 per cent of the \$4½ billion privately financed expansion. The arsenal's plant is very nearly complete. The most striking gains have been made in the construction of plants to produce raw materials, which earlier were showing disastrous tendencies to fall behind the munitions facilities. The reallocation of materials, which was the subject of so much public rancour at the beginning of the year, has justified itself. The progress in synthetic rubber facilities is particularly striking; a year ago they were 3 per cent complete; at the beginning of this year the proportion had risen to 15 per cent, but at the end of June it had reached 61 per cent. Plants producing high octane gasoline have advanced from being 1 per cent complete at the beginning of the year to 39 per cent finished on July 1st, and the privately financed expansion was 63 per cent complete. Similarly encouraging figures come from the iron and steel expansion programme, and the chemical industry. As Mr Nelson pointed out, the decline in the volume of construction releases a corresponding number of men and amounts of materials for direct production of munitions. It is perhaps for this reason that so much disappointment emanates from official circles over the failure of war production to reach the monthly goals set for 1943. Mr Nelson has called for a supercharged effort to increase production 30 per cent a month for the remainder of the year. Extraordinary efforts will be necessary to push the totals higher; and the wave of belief that the end of the war is now in sight threatens to remove the stimulus of urgency.

Calling Up Father

The political resistance to the Administration's long-delayed decision to make available to call-up for the Services the 7,000,000 men between the ages of 18 and 37 deferred because they had children born before September 5, 1942, illustrates only too well the difficulties of putting into operation an effective control of man-power. Mr McNutt's directive to Selective Service boards to start reclassifying these men, who are now in class IIIA, was hedged about with provisions to minimise hardship. Fathers whose induction would cause extreme privation were to continue to be deferred. All other available manpower was to be exhausted before the nation's fathers were drafted. Under the Servicemen's Dependents Act of 1902, allotments and allowances amount to \$50 a month for a dependent wife, \$62 a month for wife and child, and \$10 additional for each other child. Nevertheless the resistance from public opinion, as expressed in the conservative press, and from the draft boards themselves, has been so strong that another month's delay is said to have been granted. According to General Hershey, probably less than 2,000,000 of these men would pass the physical requirements of the Services, and at least that number is needed by the Forces during the next year. Industrial manpower in certain spots—for example aircraft factories—is becoming so strained that Mr Bernard Baruch has been called in by the War Mobilisation Board to make a special survey of the problem. According to the Board, at least another 58,000 workers are needed every month for aircraft manufacture alone during the next year. It is plain that with the increasing stringency the emotions connected with the preservation of the family, not to mention its vote-getting appeal, will have to go by the board. But their persistence into this stage of the war shows only too clearly what a hornets' nest the Administration would have about its ears if it attempted to institute a genuinely compulsory National Service Act. The difficulties and dangers of its administration in a country the size of the United States would be great, but before

it ever reached the operational stage the opposition could be counted upon to exploit it as the last step toward domestic tyranny. Nor would the opposition be deterred by the reflection that, in Britain, it is not the fathers in their 20s (who were called up years ago) but women in their late 40s, whose mobilisation is causing concern.

Willkie at Work

Mr Willkie's indefatigable labours in the field are impressing many observers in the United States. At his home in Indiana he is holding a continuing stream of interviews with pro-Willkie Republicans, and he has even gone so far as to intimate the conditions under which he would be willing to assume for a second time the Republican nomination. One of these is the adoption by the party of a liberal and constructive programme, both for domestic and foreign affairs, and a purge of the Isolationists and die-hards; another is the holding of the party convention in Cleveland, rather than Chicago, which is so closely identified with the Isolationist wing of the party. The popularity of Mr Willkie's principles outside the ranks of the machine has been strikingly proved by the sales of his book, "One World." Whether it is a political asset or not, he has recently secured an amazing degree of commendation from the left-wing press. As things are now moving, it may not be impossible for Mr Willkie to scoop up much of the radical support which has recently lost faith in the President. That this will be sufficient recompense for a failure to conciliate the party machine is unlikely, but it looks as though by hard work Mr Willkie were hoping once more to swamp the Old Guard. That a repetition of his former

success would constitute a kind of minor political miracle does not necessarily rule it out.

Guns on the Right

Suggestions that the State Department is in a parlous way now that its left-wing critics have been reinforced by the heavy guns of the *New York Times* and *Fortune* need not be taken too seriously. Last week the former, formerly one of the staunchest supporters of the State Department and its French policy, underwent a belated conversion, and published a severe dispatch from a Washington correspondent charging the department with internal dissension, the lack of any coherent policy, and consequent inefficiency at a time when new burdens were daily being thrust upon it. These charges are not new; they have been the theme of the left-wing press for a long time. The only surprise is their source. But even the disfavour of the *New York Times* is unlikely to perturb the State Department. The truth is that, despite the rising chorus of criticism, the department has never been more powerful or influential. To begin with, it is one of the permanent and abiding institutions of government, unlike the majority of agencies which have been established to meet specific emergencies. It is the only organised repository of experience in the sphere of foreign relations, which is growing daily in importance in American affairs. And despite its less than perfect public relations, the conservatism of the State Department is in tune with the swing to the right which undoubtedly characterises the American political scene. Mr Hull may be ready to fight back, but it is hardly necessary at the moment.

THE WORLD OVERSEAS

Who are the Canadians?

(From Our Ottawa Correspondent)

THE population of Canada, which has been recently indexed and analysed in reports based upon the 1941 census, has become older, more mature and more closely attached to its own country than ever before. From these facts important influences upon future Canadian policy may be expected. To understand Canada one needs to know who the Canadians are.

The population of Canada is 11,506,655, as counted on June 2, 1941. In ten years the population had grown slightly more than one million, and this rate of growth was the most moderate in the country's history. Since 1867, Canada has taken eight complete censuses, and the latest was the first in which persons of British Isles origin have not been in a majority. The population is 49.7 per cent of British Isles origin, 28.2 per cent of French origin, and 17.8 per cent other Europeans. Scattered minorities of Asiatics, Indians and Eskimos account for the remainder.

In 1931, 51.9 per cent of all Canadians were of British stock. The fact that the percentage has now dropped below the half-way mark is probably of great importance in the development of Canadian viewpoints. The element of filial affinity with England and Scotland, not to mention Wales and Ireland, is a diminishing factor in Canadian life. But

it is notable that the spiritual allegiance to British traditions has in no way declined. In the last war, one way of accounting for the response made by Canadians to recruiting was to point out that a majority of the population had been born in the United Kingdom or were of recent descent from British stock. In this war, the predominant factor in an even greater response has been a sense of peril to Canada and of identity of interests with Britain and other allies.

Few countries have a less homogeneous population than Canada, and in the distribution of racial strains in different parts of Canada less uniformity could hardly be imagined. Prince Edward Island is 83 per cent of British stock, and Quebec is 81 per cent French. The biggest province, Ontario, is 72 per cent of British Isles origin. On the prairies, Manitoba is 49 per cent of British stock, Saskatchewan is 44 per cent and Alberta is 50 per cent. European racial strains, omitting United Kingdom and French, account for 47 per cent of the population of Saskatchewan, 41 per cent of the population of Alberta and 40 per cent of Manitoba.

The relative number of persons of French origin has increased slowly in all provinces. In the western provinces and in Ontario, similar increases have been reported in other European strains. In Canada as a whole, persons of British Isles origin increased from 5,381,071 to 5,715,904, or by 6.2 per cent, in the last decade. In comparison, the rate of increase of French population has been 11.9 per cent, from 2,927,990 to 3,483,038, in the past ten years. The population of Quebec is 3,319,000 persons, of whom 2,689,000 are of French origin. The traditional British character of Ontario is changing under an influx of French people and of other European stocks.

Possibly a more significant fact than the racial origins of Canadians is the fact that 82.5 per cent of them were born in Canada. The great migrations of the early years of the century are over, though there may be migrations again. But, meanwhile, the census shows that four out of five of Canadians were born in Canada and naturally regard Canada as their home. Their spiritual affinities with any other country must be declining progressively. In the 1931

census the proportion of Canadian-born was 77.8 per cent. In Canada now there are 1,003,171 persons who were born in other British countries and 312,472 persons born in the United States. The preponderance of the population born in Canada explains the change that has been occurring in the nature of Canadian nationalism. No longer does nationalism in Canada mean a form of isolationist French-Canadian sentiment. The most ardent Canadians are not the French-Canadians alone, but the generation, which, of course, includes French-speaking Canadians, that has grown up with no other allegiances than Canada.

Decline of the Frontier

Another fact emerging from the census compilations indicates that the Canadian population has begun to settle down and may be expected to develop strong local attachments. The turmoil of the frontier, attracting population from all other regions of Canada as well as from other countries, is no longer the disturbing influence it was. It may find a revival in the new north-west now opening up, but the frontier as a factor in Canadian life is declining rapidly. The 1941 census showed that 72 per cent of the population of the country had always resided in the province in which it was registered for the census. In the eastern provinces, of course, the proportion of people reporting continuous residence was higher than in the west. In Quebec, it was 88 per cent. In Ontario, it was 72 per cent. In Manitoba and Saskatchewan, it was 60 per cent, and in Alberta it was 50 per cent. In British Columbia, only 38 per cent of the population had reported continuous residence there.

The rural element of the Canadian population has declined both absolutely and proportionately in the past ten years, a fact that will undoubtedly influence national policy in due course. In 1931, the rural population was 3,289,140, and this was 31.7 per cent of the whole population. In 1941, the rural population was 3,163,268, and this was 27.5 per cent. Some racial elements are almost entirely urban, such as the small Italian, Jewish and Chinese elements of population. About two-thirds of the German, Netherlands, Russian, Scandinavian and Ukrainian populations of Canada are rural, but in two cases these groups have begun to develop a trend to urban localities. Russians and Ukrainians are steadily leaving the land for city life, and nearly 40 per cent of each group now lives in urban localities.

In 1931, only 38 per cent of the Canadian population was enumerated as married, but in 1941 the proportion had risen to 41 per cent. This was due mainly to the changing age structure of the population. The number of widows in Canada was 525,121 in 1941, an increase of 20 per cent in a decade. Among the provinces, Quebec showed the largest proportionate number of single persons. In Quebec only 35.7 per cent of the population was married. Out on the west coast, 47.8 per cent of the population was married, and this was the highest proportion in any province.

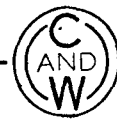
The age structure has shown some significant changes. In 1941, children and young persons under 20 years of age constituted 38 per cent of the population. In 1931, the figure had been 42 per cent. Those between 20 and 64 years made up 59 per cent. Persons over 65 years of age constituted 6.7 per cent of the population in 1941, compared with 5.3 per cent in 1933. A tendency for the population to increase at a faster rate in the age groups from 45 to 64 years than for all other ages was true in all provinces. The population of Canada is steadily ageing.

On the economic side, the census disclosed that in Canada there are 2,668,710 households, divided almost evenly between rural and urban localities. The average number of persons per household was 4.3. Fifty-four per cent of households in Canada live in their own homes and 46 per cent in rented homes. In rural areas, three times as many householders own their homes as in the cities.

China's Food

[BY A CORRESPONDENT]

August 3rd
A FEW days ago, the "United Nations Interim Commission on Food and Agriculture," which will continue the work of the Food Conference at Hot Springs, was formally organised. The part Free China will play in the deliberations of the Commission has been stressed by the fact that Tsou Ting-Wen, China's delegate, has been elected one of the Commission's two vice-chairmen. Although the world's largest agricultural country, China has probably



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 overseas wireless routes

★

'When the end comes, when victory is won, then history will begin to assess merit. We shall all of us be searching our conscience . . . We shall be discussing who succeeded and who failed . . . I have no doubt at all, when we come to discuss the part that Cable and Wireless has played, what the verdict of the nation will be—"Well done, thou good and faithful servant!"'

COL. THE RT. HON.
OLIVER STANLEY,

*Secretary of State for the Colonies,
paid this tribute at a luncheon given
to the staff of Cable and Wireless
Ltd., on January 26th, 1943*

★

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	...	\$40,236,686
TOTAL ASSETS IN EXCESS OF	...	\$1,250,000,000

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. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B., COMMITTEE: Sir Frederick Williams-Taylor.

London Office: 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.

the lowest average standard of living of all. The country, therefore, is likely to see outstanding changes in its agricultural policy as a result of the work initiated at Hot Springs, and now to be continued through the Interim Commission.

Meanwhile China has more immediate food problems. It has to feed from its own soil its armies and its population under war conditions. This task has already resulted in considerable changes from the traditional Chinese practice of food growing and food distribution, which will help to place China's agriculture and nutrition on a more progressive basis. The Chinese statement before the Hot Springs Food Conference gave the total area of farm land in China at 232 million acres, which, it was stressed, supports a population of 450 million. Both this area and the population include all areas now under Japanese occupation. The arable area at present under the control of Chungking accounts for only about half the above total, and it does not include a number of the richest agricultural districts of the north and east. In all parts of China, however, the average size of the farm holdings is small, while the peasant families, which number 60 million, and account for three-quarters of all Chinese families, are large. The surplus produced by the average farmer, therefore, is usually very small. Moreover, communications in China have always been a weak point, and the areas at present controlled by Chungking include some of the least developed areas of the whole of China. Owing to the poor transport system, food cannot be distributed over wider areas; nor, for the same reason, can it be imported from overseas except in some coastal areas. Most districts of China used to support themselves from their local crops, and in the early years of the war this territorial self-sufficiency greatly helped to solve the country's food problems. Since then, however, the armies have expanded—which means a corresponding reduction in the number of people working on the land—and in the National Government area there is a great influx of war refugees from the districts controlled by the Japanese. Food, therefore, has become scarce in parts of Free China, and the Government is confronted with the problem of feeding its fighting forces as adequately as their needs demand, and at the same time of preventing famine among the civilian population.

Production Changes

This task has been tackled from the production and distribution ends. Food production in Free China is undergoing considerable changes. Rice and wheat have always been the country's staple foodstuffs, and soya beans, kaoliang, millet, barley, maize and potatoes are grown in most parts. There is, however, but little consumption of eggs, fruit and vegetables, as well as of fish and meat. In the past, the diet between district and district used to show considerable differences, which the large movements of population during the war have tended to obliterate. The west is now beginning to grow more vegetables and fruits, and poultry farming is making progress in a number of provinces in the interior. Simultaneously, the National and Provincial Governments have started to plan agricultural production on a more modern basis. The past few years have seen increasingly important projects of land reclamation, of irrigation, of pest control, and of training in the use of fertilisers and machinery. The Ministry of Agriculture and Forestry in Chungking, through a National Agricultural Research Bureau, is also undertaking development work aimed at improving seeds, especially rice and wheat seeds, and the Government-controlled Farmers' Bank of China has begun to grant loans for the financing of farm extension and improvement work. Despite the fact that agricultural production in Free China has greatly fluctuated since 1937 as a result of the changing climatic conditions, both land under cultivation and production, especially of winter crops, have increased. With territorial and temporary exceptions, such as the great Honan famine, which still affects some 10 million people, serious problems of food supply have not arisen in Free China during the long war.

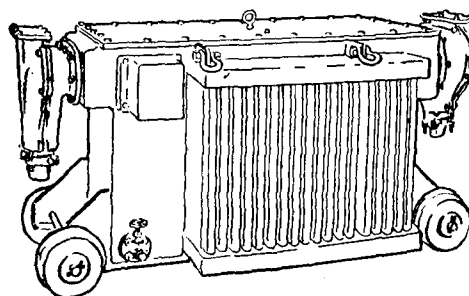
Nevertheless the need to feed its growing armies, as well as to prevent excessive rises in food prices and food hoarding, led the National Government, in August, 1940, to impose a control over the trade in some basic foodstuffs, rice, wheat, flour, maize, kaoliang and some other cereals, and over their distribution. This control was originally exercised by a National Food Administration which was under the direct control of the Executive Yuan. In July, 1941, it was taken over by a Ministry of Food, which was given the tasks of planning the supply of food to the Army and public officials, and of balancing supply and

BENEFACTORS OF MANKIND



HUMPHRY DAVY (1778-1829)

A short span of life crowded with research and brilliant discovery in the world of chemistry and electricity forms the story of this outstanding personality, to whom science and industry owe so much. Limited in time, but abundant in achievement.



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

ATLAS ASSURANCE CO. LTD.

ESTABLISHED 1808.

Head Office: 92, CHEAPSIDE, LONDON, E.C.2



"Let Atlas carry the burden"

INSURANCE BUSINESS OF
EVERY KIND TRANSACTED

THE COMPANY ALSO ACTS AS
EXECUTOR & TRUSTEE



ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

economy rather than to withdraw from the economic field.

But the fundamental weakness of Bertolini's programme is its vagueness on the crucial point, namely, on how to meet the budgetary deficit. The new Minister has promised to increase revenue. Yet the scope for heavier taxation is very limited. Agriculture—he has pointed out—cannot be expected to pay more in taxes, because it has already been overburdened. The tax on buildings cannot be raised because of air-raid damage, fixed rents, etc. Income-tax might be expected to yield higher sums than hitherto (it has risen only by 74 per cent since 1940, so that there may be a slack to be taken up), but mass evacuations, destruction from air-raids, and call-ups prevent any expectation of notable increases from this source. The main increases are expected from indirect taxation, and from taxes on war profits. It is, however, doubtful whether the general conditions now prevailing in Italy will allow any normal func-

tioning of the financial and tax collecting machinery at all. The prospects of improving the state's credit do not look any better. Bertolini has announced that the Public Debt bequeathed by the Fascist regime "is sacred," and that the savings of the public will be safeguarded by the state. His frank report about the financial position was made in the hope of regaining the investors' confidence. But it may be doubted whether so much frankness and so many reassuring statements will really allay the anxiety of the lenders. The fact that Italy's inability to go on waging war arises not only from military and political causes but also from economic and financial weakness is all too clear to everybody. This is the inevitable conclusion which follows from Bertolini's report—no less clearly because he himself refrained from drawing it. The main, if not the only, financial weapon with which Badoglio's Cabinet can still for a time prolong the war is the printing press.

Fire and Accident Insurance

FULL recognition of the need for maintaining adequate fire and accident insurance facilities in wartime was accorded by the Kenner Committee in its Report in October, 1942. The Committee found that these classes of insurance are essential to the community, that facilities should be maintained on a sufficient scale—particularly the use of the technical experience of the fire companies in fire prevention, storage and salvage—and that the personnel available to administer the various war damage schemes, handled by the fire offices, should be sufficient to ensure the reasonably prompt settlement of claims. A further point made by the Committee was that the position of British insurance in foreign markets should be maintained at any reasonable cost, since it represents a substantial and economical invisible export. The only concrete suggestion advanced for economising manpower was that transfer of business from one insurer to another should be suspended. Recommendations were, however, made for periodical reports on economy measures to the Board of Trade by representative bodies of the industry, and it was considered that it

should aim at releasing from 10 to 20 per cent of its deferred staff. On the subject of inter-office concentration, the Committee found the weight of evidence against any immediate saving of manpower from such a process. Steps have been taken to implement the Committee's recommendations.

The Kenner Report dealt only with the wartime organisation of the companies. It was followed a little later by the Beveridge Report on social services in the post-war period. This Report makes proposals which impinge on the activities of accident departments on at least two points. The most important change contemplated is the supersession of the present scheme of workmen's compensation, based on voluntary insurance with proprietary or mutual companies, and substitution for it of provision for industrial accidents and disease by inclusion within a unified social insurance scheme. This project is still under examination by the Government. The commercial companies transact only a small proportion of the business, chiefly the small, isolated risks; it is estimated in the Beveridge Report that but 15 per cent of the total compensation is paid by them. The mean premium income from workmen's compensation insurance in the United Kingdom of companies belonging to the Accident Offices' Association amounted in 1938-39 to £4,600,000, or only about 8 per cent of their combined world-wide accident incomes. The importance to the offices of the change should not, therefore, be overestimated, though they would regret to relinquish a business which has been developed over nearly 40 years, and possible repercussions overseas would also have to be taken into account. More vitally affected are the mutual specialist offices of various kinds, together responsible for some 70 per cent of the total compensation, of which about half is accounted for by offices transacting a mixed business, and the other half by offices catering exclusively for one industry. The second recommendation of the Beveridge Report that affects accident insurance is the proposal that the law of civil wrongs should be amended to reduce the amount of any injured person's claim against a third party by whatever sum he can claim as social insurance benefit (the point is discussed in the Report under "the problem of alternative remedies"). Such a change in the law would naturally influence strongly the conduct of motor and other forms of third party insurance.

Apart from some preoccupation with these reports, the companies enjoyed a good year in 1942 in both the fire and accident departments. Higher fire premiums were the general rule, due mainly to increases in sums assured on buildings and contents to conform with the rise in values. This process is still far from complete, and the consequent application of the "average" principle—that is, paying only that proportion of the loss which the sum insured bears to the full value—has inevitably brought its difficulties in the settlement of losses. Some further falling away in premiums from Far Eastern and other sources was offset by revenue from territories recovered from the enemy, where the offices follow closely in the wake of the advancing armies. A heavy loss experienced at home in the first half of the year was alleviated by a considerable improvement in the second. American business fortunately brought no repetition of the unfavourable results of the two previous years, and business in other foreign countries was free from serious losses. For these reasons, the final profit ratios were the best for some years.

The nation-wide fire prevention campaign of the Fire Offices' Committee was launched early this year, and is now well under way. The dislocation of the war effort, which loss by fire involves, needs continuous emphasis; destroyed buildings and machinery mean loss of productive capacity, and wastage of stocks may necessitate their replacement at the cost of shipping and the lives of sailors. In the meantime the estimated cost of home fire losses in the first half of 1943 remains high at £4,832,000—considerable improvement, it is true, on the catastrophic figure of £8,552,000 for the first half of 1942, but still in excess of the total of £4,373,000 for the same period of 1941.

In the accident departments, premiums were lower. In view of the increased restrictions on motoring imposed in this country in July, 1942, resulting in the laying-up of many additional cars, and of the 20 per cent reduction in premiums put into effect in respect of private cars remaining on the road, it is a matter for surprise that the decline in income was not greater. No doubt the loss of motor income was partly offset by additional revenues from workmen's compensation policies, where higher pay-rolls automatically bring higher premiums. It is expected that accident departments will have to bear a sharper fall in income this year, since, in addition to a full year of reduced motor income at home, reductions from overseas sources, especially from the United States, will make themselves increasingly felt. In 1942, however, the profit ratio in accident business, as in fire, was one of the best on record. The main reason for this is that the offices were enjoying the benefit of the time-lag between the lighter claims experience on motor policies and the consequent reduction in charges. The usual release of unearned premiums reserve on a fall in income will also have assisted the accounts. More than one chairman has emphasised the exceptional nature of the profit and the certainty of a return this year to ratios more in line with customary expectations. Notwithstanding the lighter claims experience, accidents on the road remain at an inordinately high level relatively to the volume of traffic, and particularly unfortunate has been the marked rise in child fatalities. There seems to be scope for more energetic measures to mitigate this scourge, and in these the accident companies, like the fire companies in fire prevention, might usefully play

a part. The agreement between the Accident Offices' Association and the Home Office regulating the costs of workmen's compensation insurance was again modified, the ratio of expenses and profit to premiums being reduced from 32½ per cent to 30 per cent; this change, which applies to the whole of the calendar year 1942, was made possible by the increase in premiums resulting from higher wage levels, the working costs of the offices not being affected proportionately.

The burden of taxation made itself increasingly felt in the accounts for 1942. This is partly due to higher profits, but is chiefly associated with the substantial additions to taxation in the United States, and in many other overseas territories, particularly in the Dominions. The cumulative effect of this increased overseas taxation and high taxes at home has been remarkable; the chairman of one office pointed to an aggregate taxation cost over 50 per cent above that for the previous year, and representing no less than 11.5 per cent of the combined fire, accident and marine premium income. This higher taxation has almost completely offset the increased profits of 1942, and may well prove a formidable load to carry in the current year.

A great deal of work continues to be performed by the offices on behalf of the Government on a non-profit basis. Besides the issue under the commodity, business and private chattels schemes of war damage policies—no less than 4½ million policies were issued during the year ended March, 1943—the offices have through local committees been carrying the responsibility for settlement of losses under the commodity and business schemes. Similar help has been afforded to the Governments of certain of the Dominions and other overseas countries, including the United States, in the administration of war damage schemes. Through technical aid in fire prevention, food salvage and the inspection of industrial plants, and in a multitude of other ways, assistance is still being freely rendered. The arrangement whereby current interest earnings and trading profits in the United States are placed at the disposal of the Treasury for service of interest and amortisation on the Reconstruction Finance Corporation's loan has worked satisfactorily, and current earnings on operations in other parts of the world continue to be placed at the disposal of the Government.

ALLIANCE

ASSURANCE COMPANY, LTD.
OF BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

ASSETS EXCEED £35,000,000



INSURANCES OF ALL KINDS

LIFE (with and without Profits)—Estate Duty Policies—Family Protection—Children's Deferred Assurances and Educational Endowments—Annuities.

FIRE — MARINE — BURGLARY & THEFT
Accidents of all kinds — Motor Vehicles

The Company undertakes the duties of Executor and Trustee.

Head Office temporarily at

KIDBROOKE PARK, FOREST ROW, SUSSEX

102 YEARS STEADY PROGRESS

of the

United Kingdom Provident Institution

for Mutual Life Assurance

	Total Funds	Total Amount Assured (including Bonuses) in Force
1850	£44,222	£507,107
1870	£1,246,168	£5,646,149
1890	£4,902,801	£11,618,386
1910	£9,182,354	£21,727,373
1930	£18,960,141	£46,437,663
1942	£27,857,680	£63,935,534

The above figures give an indication of the ordered progress of this Mutual Life Office, which has continued to gather strength and popularity since it was established in 1840. Having no shareholders its only concern is for its policyholders to whom the whole of the profits belong. Its valuation is stringent and past bonuses have been on an attractive scale. It has branches in most large towns.

Correspondence invited or Prospectus sent on request.

SIR ERNEST J. P. BENN, Bt., Chairman & Managing Director.

THE
UNITED KINGDOM
PROVIDENT INSTITUTION

Head Office: 196, Strand, London, W.C.2

(Phone: Temple Bar 4062)

SECURITY!

Life has a sense of firm foundation to those who have

SAFEGUARDED

the future

PROTECT

Your dependents and

PROVIDE

for retirement by a

REFUGE POLICY

Assets - - - £81,000,000

Claims Paid - - - £147,000,000

(1942 Accounts)

REFUGE
ASSURANCE COMPANY
LIMITED

OXFORD ST., MANCHESTER, 1

Business Notes

Dividend Limitation

Mr Mander and the Chancellor of the Exchequer in the House of Commons last week between them said either too much or too little on the subject of limitation of company dividends. To Mr Mander's question whether "it was still the wish of the Government that companies should not pay dividends in excess of their pre-war rates," the Chancellor merely replied, "Yes, sir." Thus on the face of things, many important companies, including the main-line railways, are flouting the Government's known views. In fact, of course, what Mr Mander intended to ask was whether the Government still wished industry to observe the spirit of the Limitation of Dividends Bill, which died on the introduction of the Emergency Powers (Defence) Bill and of 100 per cent EPT in the spring of 1940. The Limitation of Dividends Bill had three main provisions. First, it sought to limit payments (by amount and not percentage) to the highest paid between June 30, 1936, and July 1, 1939. Secondly, it empowered companies which had not in the base period paid any dividend to distribute up to a maximum of 4 per cent. And thirdly, it allowed for higher distributions than those specifically provided for, provided that the Treasury, working through the Capital Issues Committee, was satisfied that these were justified by "exceptional circumstances." Viewed against the first two of these provisions, it is clear that the great majority of companies has abided faithfully by the spirit of the Bill, while if the saving "exceptional circumstances" clause be invoked (and in the absence of Treasury judgment, the directors concerned must themselves decide about this) it might be claimed that industry stands before Mr Mander and Sir Kingsley Wood with a completely clear conscience. In reality, of course, 100 per cent EPT, as *The Economist's* analyses of industrial profits have shown, has effectively curbed both profits and dividends. "Moral dividend limitation," in other words, remains a political refinement to an already efficient statutory control.

Richard Thomas

From an accounting point of view the Richard Thomas statement—analysed on page 217—is praiseworthy; not only is there a consolidated balance-sheet, but a profit and loss account for the group as a whole discloses trading profit before deduction of income-tax and EPT. The total tax charge, at £1,527,526, is some £102,000 higher, and this increase, combined with a depreciation provision £78,000 larger at £899,500, offsets the improvement from £3,541,611 to £3,719,803 in the gross trading result. Thanks, however, to a reduction from £95,000 to £44,013 in war damage contributions, the net surplus is up from £585,422 to £633,881, an advance which is reflected in the present company's own net profit of £632,439 against £580,226 (or £480,226 if the provision made a year ago for writing down old coke ovens is reckoned as charged before profits are struck). That expansion goes only part of the way towards meeting the cost of £121,875 involved in raising the ordinary dividend, as already announced, from 5 per cent to 10 per cent. But as there are no special write-offs this year, there is still room for a transfer of £113,522 to general reserve, and an addition of £119,150 to the carry-forward, thus raised to £374,781. On these figures, earnings for the ordinary shares are equivalent to 19.6 per cent, but this is reduced to 15.5 per cent by allowing for the fact that £100,000 of the reserve allocation is obligatory so long as any of the prior lien debentures are outstanding. The chairman dismisses the idea of applying any of the present liquid resources to accelerating the repayment of this stock, of which £3,354,734 is outstanding. That process will be helped in a mild way as one result of the voluntary reduction in the rate of interest on this stock to which the holders have agreed, for the interest saving—the difference between 4½ per cent and 4 per cent—is being applied to increasing the already quite substantial sinking fund. Mr E. H. Lever mentions the possibility of the stock being repaid "at a later and more appropriate date" by the issue of a junior security or more share capital, and it is to this development that shareholders must look for an eventual lightening of the burden of debenture service, relief from the obligatory provisions respecting reserve allocations, and release of the undertaking from

supervision by the Control Committee which was established when the bankers came to the rescue of the Ebbw Vale project in 1938.

The progress made at Ebbw Vale since that time has been very considerable, as is evident from the chairman's verbal insistence—which, it may be hoped, will be reflected in the management's practice—upon the ultimate necessity of passing on to the consumer some of the benefits of the efficiency and economy achieved in manufacture, and his declaration that most of the tinplate trade now acknowledges the urgent necessity of changing over to the modern process of manufacture. The introduction of the continuous strip process has rendered obsolete and redundant many of the old-type mills. So far as these are owned by Richard Thomas itself the situation has been met by heavy depreciation write-offs, but South Wales as a whole has still to tackle this twin problem of amortisation and reconstruction. The management of Richard Thomas hopes that this can be achieved on a co-operative basis. The importance of the matter is emphasised by the company's decision to instal an electrolytic tinning unit, thus falling into line with modern practice in the United States. Electrolytic tinning brings a big saving in material and labour costs, and an improvement in the quality of the product. But it involves substantial capital expenditure—the Richard Thomas unit may well cost £250,000, and will still be able to handle part only of the Ebbw Vale output—and is designed for use, primarily at any rate, with the continuous strip process.

The Clearing Banks in July

In the second quarter of this year, clearing bank deposits rose only by £88.5 millions, compared with £191.2 millions in the corresponding months of 1942. The July returns do not confirm this indication of a check to the rate of credit expansion. On the contrary, a somewhat greater expansion in "effective" deposits than that of July 1942 is masked by a decline of £34.2 millions in cheques and balances (against £25.4 millions last year), nominal deposits on each occasion showing little change. The indications are that the rise in effective deposits was still greater if allowance is made also for items in transit. Only two of the banks, unfortunately, separate this entry, but the con-

	July 1942	Mar. 1943	Apr. 1943	May 1943	June 1943	July 1943
Capital and reserves	140.3	140.9	140.9	140.9	140.9	140.9
Acceptances, etc.	89.8	92.0	92.6	91.7	95.5	102.5
Notes in circulation	1.5	1.6	1.6	1.6	1.6	1.6
Current, deposit and other accounts	3,264.0	3,541.9	3,545.1	3,565.6	3,630.4	3,627.9
Total liabilities	3,495.6	3,776.4	3,780.2	3,799.8	3,868.4	3,873.2
Cash	341.9	376.5	374.9	377.0	386.6	375.5
Cheques, balances, and items in transit	115.3	137.2	119.0	121.6	157.8	120.2
Money at call	131.7	139.3	142.3	158.0	165.0	160.4
Discounts	272.3	172.5	128.4	154.1	236.0	243.9
Treasury deposit receipts	607.0	863.5	963.5	923.5	858.5	899.5
Investments	1,074.8	1,132.4	1,136.8	1,150.3	1,159.0	1,162.1
Loans and Advances	795.9	776.6	756.4	757.3	743.9	742.7
Investments in affiliated banks	23.8	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	132.7	134.5	135.0	134.1	137.7	145.0
Total assets	3,495.6	3,776.4	3,780.2	3,799.8	3,868.4	3,873.2

traction of £3,434,000 in this item suggests a contraction of the order of £15 millions for the banks as a whole compared with an estimated decline, on the same basis, of about £11 millions last year. The remaining banks presumably include items in transit in their advances total, which, in turn, suggests that the small fall of £1,225,000 in advances (against a decline of £4,374,000 in July, 1942) masks an appreciable increase in "effective" advances. Though investments reached a new peak figure of £1,162.1 millions the addition is a small one, an increase of £41.0 millions in Treasury deposit receipts providing the chief counterpart for the increase in effective deposits.

Fiduciary Issue Regularised

An order has been made extending for a further two years until September 5, 1945 (or the date on which the Regulation ceases to be in force, whichever is the earlier), the period for which the Treasury may authorise increases in the fiduciary issue. Under the Currency and Bank Notes Act of 1928, the large increase in the fiduciary issue from £300 million to £580 million at the outbreak of war would have required Parliamentary authorisation on September 5, 1941. To avoid constant applications to Parliament to regularise this and the subsequent wartime increases, a Regulation was made in 1941 extending the Treasury's authority until September 5th next; the latest Regulation merely repeats this procedure. Unless previously revoked, the Regulation will remain in force until the expiration of the Emergency Powers (Defence) Act, 1939.

Future of Road Haulage

Mr Roger W. Sewill, director of Associated Road Operators, has published an interesting scheme for the future organisation of road haulage. In his view, neither the nationalisation of all forms of transport nor the setting-up of a grandiose public utility corporation would achieve the object of securing the cheapest and most efficient transport possible in this country. He suggests two alternative forms of organisation for the road haulage industry. The one, a road haulage board, would be modelled on the Milk Marketing Board, and the other, a road haulage association, would be formed by the proposed amalgamation (if necessary by compulsion) of all the existing hauliers' organisations. The second alternative might require statutory powers to enforce rates agreements, but the association "would be controlled entirely by members of the industry." Whatever organisation is set up, it would involve "a national rates structure." There would be two sets of rates, a standard charge per ton mile, based on a simple classification, payable by the consumer, and a variable rate, based on the average cost of haulage, with an agreed addition for profit, payable to the haulier. The detailed work in preparing a national rates structure and standard conditions of carriage might be entrusted largely to the Road and Rail Conference. To cap the proposed set-up there would be a Road and Railway Rates Tribunal to which traders could appeal if they are dissatisfied with the rates they have to pay and hauliers if they are dissatisfied with the rates they are receiving. Mr Sewill's scheme is as ingenious as it might be dangerous without proper safeguards. It really involves the establishment of a road-rail transport monopoly, with the Road and Railway Rates Tribunal as the only safeguard against abuse.

Trebling the Output of Munitions

The output of munitions in this country has trebled in the past three years, and this has been achieved with less than half the quantity of raw materials normally imported into this country. The cutting down of civilian consumption goods to the barest essentials is not by itself enough to enable this quantity of war material to be produced. Savings have to be made even in the production of munitions. Scarce raw materials have to be spread thinly over a variety of uses. Substitutes have to be used wherever possible and labour has to produce more. The imposing array of warlike stores massed at El Alamein, in Tunisia and now in Sicily is constantly replenished for new battle fronts; the accumulation of these stores has been made possible by the constant efforts of Government departments and industry. Some examples of how material and labour have been made into "more from less" are shown in a well-arranged and carefully planned exhibition held in London, but unfortunately not open to the public. These examples include small and large savings, and some of them are summarised below:—

Timber.—Consumption has been cut by 60 per cent, and home production, which amounted to 4 per cent of consumption before the war, now accounts for 60 per cent. In building, concrete has in some cases entirely replaced timber. Tent pegs, which were made from hardwood, are now mechanically cleaved from waste wood and have saved 700,000 cubic feet of wood. Textile rollers and lapping boards made from waste paper and wood saved over 50,000 tons of wood.

Paper.—The proportion of home-produced paper has risen from 18 to 76 per cent, and the cuts in the size of newspapers and civilian consumption have enabled it to be used as a substitute for scarcer materials in a variety of war goods.

Iron and Steel.—Different methods of production have eliminated waste. Electric forging saves 60 per cent. Wastage in the making of bolts has been reduced from 60 per cent to 5 per cent by the introduction of new methods. Ammunition of all calibres 400,600 tons of steel have been saved since the war began. In the Bofors gun, 80 per cent the weight of iron and steel has been saved.

Substitutes.—Great ingenuity has been exercised: glass is substituted for steel; paper and fibre for metals, light alloy and wood; lead for tin; plastics, fibres and textiles rubber—the list is endless.

Labour.—Processes have been split up in some cases, and others combined, so that one operation does the work of two especially in inspection. New methods save labour, as well material; important among them is welding instead riveting.

Salvage.—Every scrap of material possible is used again. Every 100 unserviceable battle dress, 70 are repaired, which 10 are reissued and 60 are dyed and used by industrial and agricultural workers. The remaining 30 become "shoddy" and are used in the making of new material. Army boots are remade, and over-shoes and slippers are made of pieces of fire hose.

The use of substitutes has in some cases produced articles better than the old, and in most cases the savings have been well worth the small sacrifice of efficiency involved. Although the exhibition is a tribute to the inventiveness which has made it possible, its purpose is not self-congratulatory. Manufacturers and Government officials have been visiting it. They can compare what others have done with their own efforts; many of the ideas can be adapted for use in their own spheres of work, and contact with what others are doing can stimulate them to produce more material and labour saving ideas. A spirit of complacency about what has been done—great as the achievement has been—would be disastrous. But if the exhibition acts as a spur to bigger output with more economy it will itself be a great contribution to the war effort. Lessons can be learned, too, for peace. Every unit of material and labour saved in the production of essentials can add to the production of luxuries and semi-luxuries to raise the standard of living.

Coal Commission Stock

As a sequel to the passage, early in July, of the Bill to amend the Coal Act, 1938 (which on July 1, 1942, vested all the coal seams in the country in the Coal Commission), came the announcement by the Chancellor of the Exchequer on August 5th that within the next four months

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.

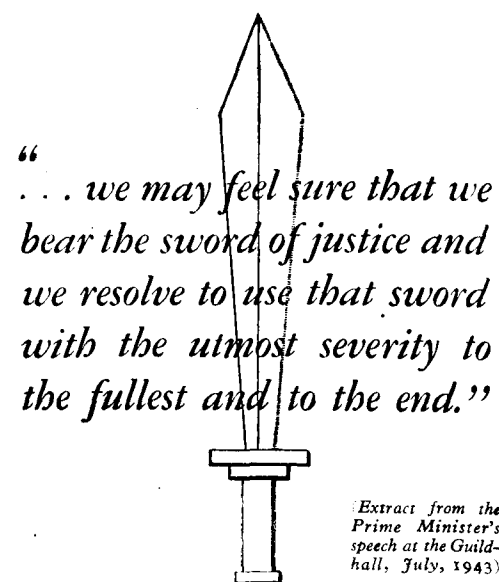
The Society is prepared also to consider War Risks both at home and abroad in respect of non-civilian lives, each proposal being considered on its merits.

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 £62,000,000
General Manager: Vernon E. Boys



The sword must be backed up by Savings

... Savings that help the attack ...

Savings that lend support to the gathering momentum of war ... Savings that fight side by side with our men.

HELP THE WAR EFFORT BY INVESTING IN 3% SAVINGS BONDS

1940-1970

BANK OF ENGLAND ISSUE

No limit to holdings. Purchasable in multiples of £50.
Minimum first subscription £50.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUES

Maximum subscription £1,000; minimum first subscription £10 then £5.

Prospectuses and Application Forms obtainable from all Post Offices, Banks and Stockbrokers

Issued by the National Savings Committee

the Commission is likely to make payments totalling some £30 million to the former owners of coal royalties; the total amount payable to owners of coal royalties is £66.5 million. To finance the immediate payments, £35 million 3 per cent Coal Commission Guaranteed stock 1950-2016 has been issued to the National Debt Commissioners at 97½ per cent; some £4 millions of the proceeds will be required to repay temporary advances by the Bank of England to finance payments on account. The forthcoming payment of compensation to royalty owners has several interesting investment aspects. First, it is to be expected that a substantial part of them will find their way into the stock markets, where—if the experience of the security vesting orders is any guide, and given the right technical background—they may have a more than negligible effect on prices. Secondly, the new stock, which the National Debt Commissioners will presumably place on the market as and when opportunity offers, will be the “longest” dated stock on offer in the gilt-edged market, and will, indeed, mark only the second occasion on which the range of dated stocks in the gilt-edged market proper has extended to the twenty-first century. The Irish Free State 4½ per cent issue, guaranteed by the British Government, is the only existing dated gilt-edged stock which may outlive the present century—its final redemption date is in 2004. Outside gilt-edged stocks proper, the Metropolitan Water Board has two issues which need not be redeemed until 2003; London Transport “A” and “B” stocks run finally to 2023, and for the really far-sighted investor who is willing to go to the colonial railway market there is the Toronto Grey and Bruce Railway 4 per cent First Mortgage Bonds, which are redeemable on June 14, 2883. The nearest comparable issue to the new Coal Commission stock is Redemption Threes, 1986-96, issued to redeem tithes, now quoted at 99½. Judged by this issue, the price of 97½ for the new stock appears just about right. Finally, the payment of compensation to coal royalty owners will affect several colliery companies owning freehold properties, but the effect on their position is difficult to assess; if they elect to become “freehold leaseholders,” the compensation is returnable to the Commissioners in exchange for a lease on a peppercorn rental.

Managements and Production Committees

A great deal has been heard from the workers' side about joint production committees. It is therefore interesting and timely to have the management angle. The June and July issues of *Business* contain the results of a survey conducted among managements, which covers very much the same ground, and raises many of the same points as the recent production enquiry of the Amalgamated Engineering Union, but it is not limited to engineering works. The difficulty in making any appraisal from this survey is that there is no indication of the total number of firms that sent in replies to the questionnaire, and that the percentages of an unknown total are apt to be meaningless. But in spite of this omission, the enquiry is valuable, and revealing of the management attitude. It is significant that all the big firms, employing over 2,000 workers, expressed themselves in favour of production committees, but in the smaller concerns there would still seem to be some antagonism among managements to the idea of workers sharing responsibility in production matters. Many of the same difficulties and criticisms emerge as in the A.E.U. enquiry. Thus, it appears that the main opposition is encountered from the junior executives, foremen and chargehands, and there is also evidence of apathy among the body of the workers. In order to break down this apathy, it seems essential that firms should adopt more effective methods of publicising the work of their committees. Many have arrangements for special broadcasts or for shop stewards' meetings for reporting back decisions, for the publication and posting of minutes, for special newspapers and articles in works magazines, but more than half the firms covered provided no special facilities. In order to save time, an increasing number of committees are developing the system of co-opting specialists to deal with particular technical problems or of appointing special sub-committees. In over 65 per cent of the firms, absenteeism is dealt with by a sub-committee, and it was unanimously agreed that the workers were far more severe in dealing with offenders than any management would have been. It is satisfactory that a high proportion of the managements should report that their committees had been instrumental in securing improved efficiency and increased production, since this is

their *raison d'être*. Many attributed this to better all-round co-operation and to the increased interest taken by the workers in production; some gave instances of workers' suggestions which had led to improvements, such as suggestions for improving internal transport and the maintenance of machine tools, simplifying drawings, improving stores control, and new ideas for punchers and conveyors. The report leads to the conclusion that production has benefited from the joint works committee machinery, and it also shows that there is a considerable degree of flexibility in adjusting the practice and methods of the various committees to suit the circumstances and requirements of individual firms.

Germany to Repudiate Clearing Debts?

A recent statement by Dr. Landfried, Herr Funk's second-in-command for the German economic front, fore-shadows discrimination between frozen reichsmark claims created in connection with the war and those arising through normal commercial transactions. This has given rise to the impression that Germany intends to repudiate what it regards as its war debts to the satellite states and occupied countries. The object of such a move is to reduce the amount of its clearing debts, which are growing at an alarming pace. At the end of last year their total was about 12 milliard reichsmarks, and it was increasing at the rate of over 6 milliards per annum. Neutral countries, and even satellites, have of late shown themselves increasingly reluctant to sell goods against frozen clearing balances. Since in some instances Germany has been experiencing difficulties in inducing neutrals to accept its looted gold, and since its exporting capacity is at a low ebb, it hopes to be able to resume imports through clearing arrangements if the outstanding total is cut down by means of repudiation. Never at a loss to provide a theoretical foundation for arbitrary action, German spokesmen have lately been inclined to argue that since Germany is fighting for the sake of Europe it is entitled to expect the other European countries to help at least with goods. This will presumably be the excuse for repudiating the debts arising from deliveries made for the purposes of the war. It seems highly doubtful, however, whether neutrals would consider that a reduction of Germany's external floating debts by the repudiation would increase her creditworthiness. With the military situation decidedly in favour of the Allies, neutrals and even satellites are meanwhile likely to insist more and more on being paid in goods instead of either gold or clearing balances.

French Financial Unification

M. Couve de Murville, Commissioner of Finance in the French Committee of National Liberation, paid a visit to London recently, to discuss, among other problems, the unification of the franc. As is well known, the rate in force in the French colonies formerly under the control of General de Gaulle is the pre-war rate of frs. 176.60. On the other hand, the rate of frs. 300 was fixed last year for the territories formerly under the control of General Giraud. Subsequently it was decided at the Casablanca Conference to lower that rate to frs. 200 to the pound or frs. 50 to the dollar. The anomalous situation by which the franc stands at frs. 175.60 to the pound in French Equatorial Africa and frs. 200 to the pound in the adjoining French West Africa calls for adjustment, and now that all French territories not under Axis control have been politically unified, the adoption of a uniform exchange rate should logically follow. The question is which rate will be adopted: frs. 200, frs. 176.60 or something between the two figures? Usually well-informed quarters hold the view that frs. 200 is the most likely choice. The rate of frs. 176.60 is of purely historical interest, like, for example, the old sterling-dollar rate of \$4.86. There appears to be no economic reason for its adoption in French North Africa and West Africa, where prices have adjusted themselves in a large degree to the rate of frs. 200, so that the adoption of the rate of frs. 176.60 might entail disturbing cuts in wages and falls in prices. The Allied Governments, especially the United States Treasury, favour round figures for territories occupied by their troops, in order to simplify the conversion of sterling and dollars into local currency. (It may be noted, for instance, that the dollar-lira rate of 100 makes the lira equivalent to one cent.) While some French circles would prefer frs. 176.60 for sentimental reasons,

there appears to be no unduly strong feeling among them on the subject.

Mexican Hustle

Among the many objectionable features of the Mexican debt proposals—which would exchange external currency obligations for peso securities, scale down the original interest obligations substantially, reduce the nominal amount of the debt by 75 per cent and cancel arrears of interest for a token compensation—was the fact that the assent of only 20 per cent of bondholders was required to enable the Mexican Government to declare the “agreement” operative. This is a case of the tail wagging the dog with a vengeance, but just that seems to have taken place, for the Mexican Government has now announced that the necessary acceptances having been received, the plan is operative. The agreement was negotiated between the Mexican Government and the International Committee of Bankers in Mexico. The Council of Foreign Bondholders took no part in the negotiations which, in the words of the Council,

have been conducted in the joint interests of British as well as US and other bondholders by the Committee, which has since December, 1920, been recognised by the Council and by His Majesty's Government as being . . . the most appropriate body for protecting the bondholders' interests.

In making this announcement last December, the Council said that no complete information had yet been made available about the nature of the proposals, so that although the Council considered some of the principles involved objectionable, it refrained from final comment. A few weeks later, the Chancellor of the Exchequer stated categorically in the House of Commons that no offer had been made and considered by the Council of Foreign Bondholders, so that the question of any official approach to the Mexican Government would be premature. It would now seem that both the Council and the Chancellor have been caught on the wrong foot and that a plan which has been universally condemned as unjust and inadequate is now, in the absence of energetic and early action, to be foisted on to bondholders who are opposed to it. In all such negotiations, the prime requisite is for a united front by all creditors, backed, if possible, by support from the creditors' Governments. This appears to have been singularly lacking in the case of the Mexican proposals. Incidentally, it would be interesting to know whether repatriated Mexican bonds have “assented” to the plan, and if so what proportion of the 20 per cent such bonds represent.

Coal Mines Equalisation Fund

Further progress was made in the second quarter of this year in translating into practice the Government's policy of evening out disparities between the trading profits of the various coal-mining districts through the Coal Charges Fund, a central pool created in June, 1942. The fund, which is under the control of the Ministry of Fuel and Power, is financed by a levy on each colliery at the rate of 5s. per ton of commercially disposable coal. Out of this fund payments are made to coalfields whose ascer-



A TOWER of STRENGTH

SOLID · SAFE · SECURE

All classes of Fire and
Accident Insurance
also . . .
ADMINISTRATION & FIDELITY
BONDS · TRUSTEESHIPS
RECEIVERSHIPS Etc.

THE BRITISH LAW

INSURANCE COMPANY LIMITED

Head Office: 31 & 32 King St., Cheapside, London, E.C.2

tained credit balance does not reach the amount agreed between the industry and the Ministry. The district standard credit balances range from 6d. per ton in Cumberland to 2s. 9d. per ton in Warwick and Somerset; the average for the industry as a whole is 1s. 9d. per ton. In the March-June quarter the allowances ranged from 3d. per ton in Leicester to as much as 7s. 7d. per ton in the anthracite coalfield of South Wales. Differences in working costs and the unequal incidence of war conditions on the trading activities of the different coalfields are mainly responsible for these wide disparities. With the help of the allowances there was only one district which showed a debit balance in the three months ended May; the average credit balance for the industry as a whole was 1s. 7d. per ton. The outstanding feature of the alterations in the allowances for the September quarter is the reduction of the payments in those areas where the standard balances were either reached or exceeded in the quarterly accounting period ended May. In Scotland, except for certain bituminous pits in Lanarkshire, the allowance has been reduced from 1s. 1d. to 6d. per ton; in Northumberland from 1s. 3d. to 1s. 1d.; in Derbyshire (excluding South Derby) from 1s. 2d. to 11d.; in Shropshire from 2s. 10d. to 2s. 1d.; and in the Forest of Dean from 3s. 8d. to 2s. 8d. The larger coalfields continue to lag behind the smaller in profit-making capacity. In Durham the allowance has been increased from 2s. 6d. to 2s. 10d. per ton; in Yorkshire from 2s. 3d. to 2s. 4d.; in South Wales from 2s. 8d. to 2s. 9d. for large steam coals and from 1s. 2d. to 4s. 3d. for sized grades. The payments made in the three months ended last May converted an average debit balance of 2d. per ton into a credit balance of 1s. 7d. per ton; the adjustments made in July are designed to raise the average credit balance to 1s. 9d. per ton during the third quarter.

Man-power in Coal Mining

The Minister of Fuel and Power, replying to a Parliamentary question on Tuesday, August 3rd, gave the current figures of employment in the coal-mining industry. The total number employed at the present time is 706,000, of whom 545,000 are underground workers and 161,000 are surface workers. Major Lloyd George also gave the figures for the number of boys and youths below 18 employed in mid-December, 1942, and the extent of the decline in juvenile recruitment can best be seen by a comparison with the figures for 1938:—

Under 16:	1938	1942
Below ground	15,362	8,803
Above ground	11,726	10,960
	27,088	19,763
16-18:	1938	1942
Below ground	29,088	21,225
Above ground	11,246	12,396
	40,334	33,621

These figures serve to emphasise the need for additional recruits, especially for underground mining, and some of the manpower problems which affect both the immediate outlook and the future of the coal industry were discussed in an article last week. A juvenile recruitment branch has been set up at the Ministry of Fuel, under Mr T. F. Turner, K.C., who is investigating the problems in the coalfields. The Minister of Labour is hoping to raise the labour force from its present level to 720,000 or 750,000, which will mean the recruitment of another 30-60,000 men, since he estimates that by the end of the coal year (that is, March, 1944) the number may have shrunk to 690,000. Actually, in view of an annual wastage of about 30,000 through death, injury and sickness, the total by next March, unless the tide can be turned, is more likely to be in the order of 660,000. It is a shortage of man-power, with a rising average age among miners and fewer productive workers, has, more than anything else, contributed to the present decline in coal production. It is not, as a series of articles in last week's *Daily Telegraph* affirms, "the pervading indiscipline which is at the root of the coal trouble." The author cited the example of strikes at two South Yorkshire collieries to prove his point. He also said that it was necessary "to explode once and for all the myth" that voluntary absentees were a minority. He submitted that they were a large majority, and that Major Lloyd George had grossly underestimated the loss to production which voluntary absenteeism had caused. Again, this argument was based solely on the experience

of two more collieries in South Yorkshire. It is perfectly true that voluntary absenteeism is higher than it should be, and, whatever the causes, it is indefensible at this critical stage of the war. But surely the Minister of Fuel, with statistics covering the whole of British coal production, should be in a better position to judge than an observer of two collieries in a single district. Mr John Armstrong, the Ministry's Labour Director, said at the Miners' Conference that the average was far too high, and that it should be brought down at least to the level reached in one region (employing 100,000 men) of 2 per cent. He also said that between September, 1942, and May, 1943, out of 86,000 interviewed for indiscipline, 3,000, or less than 3½ per cent, had been prosecuted.

Workers' Incomes

The census of the earnings of workers in a representative sample of industries—employing some 6½ million operatives—for the last pay-week in January this year revealed an average rise of 65 per cent in weekly earnings since October, 1938. (The results for individual industries were given on page 56 in *The Economist* of July 10th.) The increase is the combined result of a number of changes whose individual effects have been analysed in the latest *Bulletin* of the London and Cambridge Economic Service.

RISE IN AVERAGE EARNINGS

(Percentage Increase between Oct., 1938, and Jan., 1943)

1.—Rise in average weekly earnings	65
2.—Assuming no change in relative numbers in various industries but allowing for change in age and sex distribution	52½
3.—Assuming no change in relative numbers by industry and sex	55½
4.—Assuming no change in sex distribution but allowing for change in relative numbers in various industries	67½
5.—Rise in weekly wage rates	26½

These calculations are interesting. They show that the difference between the rise in wage rates and actual earnings is due mainly to the effects of overtime, bonuses and upgrading, but that the redistribution of workers—that is, the movement from many of the relatively low-paid occupations into the more highly-paid munitions industries—was also an important factor.

Cocoa Regulations

The Government is reviewing the post-war future of the cocoa industry in the Colonies. Outside West Africa, the Empire produces small quantities of cocoa in Trinidad, Grenada and Ceylon. It is possible that the Colonial Office is looking again at plans for an international cocoa scheme which were prepared shortly before the war. The wartime West African cocoa scheme includes supplies from Belgian and French Africa. Thus conditions for a world marketing agreement appear to be not unfavourable. The only other important supplier whose support is essential is Brazil, where at present there is no major surplus problem. Meanwhile the immediate situation in West Africa is acute. Sales are proceeding slowly; up to the end of June only just over one-third of the crop had been sold, in contrast to the normal disposal of about four-fifths in the first four or five months of the season, which begins on October 1st. The opening of the Mediterranean shipping route may have an adverse effect on cocoa shipments, although, according to Colonel Stanley, "substantial shipments are expected to continue." Although export prices are higher than the prices paid to the native producers by the West African Produce Control Board, they can hardly be high enough to prevent serious financial loss to the Board if half the crop remains unsold. Brazil has shipped almost all its last crop surplus to the United States, so that cocoa requirements for relief purposes could be covered by West Africa. This may compensate for present losses, but in the absence of special storage facilities, cocoa is perishable when stored in the tropics. If processing facilities cannot be provided at present and the shipping position does not allow greater exports, the provision of suitable storage facilities in West Africa deserves the immediate and urgent consideration of the Government.

Company Results

Richard Thomas.—One of the largest groups in iron and steel industry, normally specialising in tinplate and sheet bars.

Consolidated figures:	Mar. 29, 1941	Mar. 28, 1942	April 3, 1943
Trading profits	4,000,172	3,542,159	3,720,980
Depreciation	830,382	836,531	917,749
Taxation	1,671,036	1,425,000	1,527,526
Debt interest and redemption	562,253	519,552	485,758
Fees, staff funds	52,482	58,541	90,237
Outside shareholders	22,210	22,113	21,816
Surplus	861,809	680,422	677,884
Special charges	373,677	100,000	100,000
War damage	217,000	95,000	44,013
Preference dividends	101,411	156,017	156,017
Earnings on Ordinary	168,721	329,405	377,864
Paid on Ordinary	...	121,875	243,750
Earnings %	6.9	13.5	15.5
Nil	...	5	10
General reserve	100,000	100,000	113,522
Carry forward	524,480	633,751	654,343

Consolidated statement:	15,997,406	15,174,856	14,230,275
Net fixed assets	201,922	200,962	181,759
Net inter-company items	4,223,236	4,804,711	5,300,408
Net liquid assets	...	...	...
Gross liquid assets	9,975,014	10,441,063	10,340,741
Debt interest	11,662,749	11,213,245	10,751,678
Excess of cost of shares in controlled companies over book value of net assets	460,398	451,259	446,067

53 weeks.
Includes amounts written off—£8,882 in 1941, £15,031 in 1942, and £18,249 in 1943.
Writing down stocks £363,677, agreements and compensation £10,000 in 1941.
In 1942 £100,000 to writing down Redbourn coke ovens, 1943 transfer to depreciation reserve of controlled company.
Includes £1,741 distributed on shares held outside the group.
Trade investments.
Includes debentures held outside group of £790,652, £779,089 and £767,302 in the three successive years.
Includes £59,481 goodwill in 1942 and 1943, amount not disclosed in 1941.
The 6s. 8d. ordinary shares at 10s. 3d. ex dividend yield £6 10s. 9d. per cent.

Consent Iron

	1941	1942	1943
Total income after A.R.P. expenditure	631,069	690,375	867,766
Fees and interest	73,459	63,185	62,284
Depreciation	155,000	125,000	250,000
War Damage	...	111,150	15,276
Taxation	225,000	255,000	375,000
Deb. sinking fund	38,623	32,775	34,134
Preference divs.	20,000	20,000	20,000
Earnings on Ordinary	118,987	83,265	111,072
Paid on Ordinary	105,000	105,000	105,000
Earnings %	8.5	6.0	7.9
Nil	7½	7½	7½
Carry forward	214,448	192,713	198,785

Net fixed assets	3,567,208	3,943,395	3,942,512
Net inter-company items	437,203	337,329	341,105
Net liquid assets	2,064,379	1,673,007	1,676,852
Gross liquid assets	3,704,778	3,666,988	3,906,301
Trade creditors	1,300,399	1,728,981	1,994,449
Includes £9,188 for bad and doubtful debts.			
Includes £30,000 for writing down investments in 1941 and £125,000 for plant improvement in 1943.			
Shown gross in 1941 accounts, adjusted to net basis, £125,000 being added to £100,000 further tax provision.			
Includes provisions for tax and contingencies.			
The 6s. 8d. ordinary stock, quoted at 8s. ex dividend, yields £6 1s. 9d. per cent.			

(Continued on page 219)

COMPANY RESULTS

Definitions of terms used in these tables are as follows:
Net fixed assets include everything from land to loose tools, less any distinguishable provision for writing them down.

Net inter-company items include holdings in, and loans and advances to, subsidiaries and associates, plus trade investments, minus all sums, other than dividends of the company, due to subsidiaries and associates.

Net liquid assets include all other assets less current liabilities, bank loans and profit and loss appropriations not retained as additions to reserves, carry forward, or other established funds.



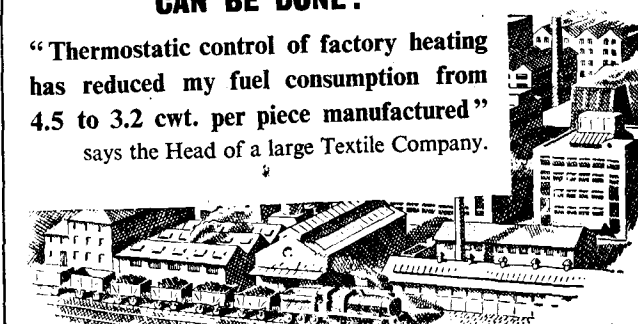
INDUSTRY MUST MAKE EVEN GREATER FUEL ECONOMIES THIS YEAR

Management is asked to take the lead

A large proportion of the fuel consumed by Industry is used for heating factories. Therefore you are urgently requested to plan now to eliminate waste from the heating of your works. The need to save fuel is even greater this year. We must not expect that the coming winter will be as mild as that of 1942.

HERE IS ONE EXAMPLE OF WHAT CAN BE DONE:

"Thermostatic control of factory heating has reduced my fuel consumption from 4.5 to 3.2 cwt. per piece manufactured" says the Head of a large Textile Company.



MAKE CERTAIN NOW

- * that the heating system in your factory is suitably controlled.
- * that you are not blowing steam to waste that could be used to heat your factory when the cold weather comes.
- * that any new buildings you are erecting are properly insulated.
- * that your fuel watchers know how to prevent heat losses through open doors and windows.
- * that the brickwork and lagging of your boiler plant are in good repair.

If you have not already received copies of the Bulletins on Thermostatic Control, on the Insulation of Buildings and on the Maintenance of Boiler Plant, write to the Secretary of your Regional Fuel Efficiency Committee for them.

The Ministry's Regional Offices are at:

GLASGOW, NEWCASTLE, MANCHESTER, LEEDS, BIRMINGHAM, NOTTINGHAM, CAMBRIDGE, CARDIFF, BRISTOL, READING and LONDON.

ISSUED BY THE MINISTRY OF FUEL AND POWER

COMPANY MEETINGS

RICHARD THOMAS AND COMPANY, LIMITED

TINPLATE TRADE DEVELOPMENTS

The ninety-fourth ordinary general meeting of Richard Thomas and Company, Limited, will be held in London on the 20th instant.

The following is an extract from the statement of the chairman (Mr E. H. Lever) circulated with the report and accounts:—We have, this year, undertaken a complete review of our provisions for depreciation, and as a result we are applying in respect of the whole combine £899,500 for this purpose against £821,500 last year.

The marked increase in the contribution to staff pension and similar schemes is due to the payment of £31,330 in respect of our guarantee of the old pension fund, a valuation of the fund having disclosed a deficiency. Since the close of the financial year a new pension scheme, also based on assurance contracts, has been established to meet the needs of certain of the staff who were not covered by the existing arrangements.

PRIOR LIEN DEBENTURE STOCK

As you will have learned from the announcement in the Press, the Prior Lien stockholders have agreed to a reduction in their rate of interest from 4½ to 4 per cent. Your directors have had constantly under review the question of accelerating the repayment of the Prior Lien stock, but are more than ever convinced that until the future can be more clearly foreseen it would be in the highest degree imprudent to use any of the present liquid resources of the company for this purpose. This, however, does not exclude the possibility of the Prior Lien stock being repaid at a later and more appropriate date by other means, such as the issue of some junior security or share capital, if this can be done on advantageous terms or shareholders themselves choose to find the money.

You will see from the accounts that the current year's trading has again been satisfactory, but it is very important to bear in mind, when considering the profit-earning capacity of the company from its short-term aspect, that whereas an adverse turn of events can cause profits to fall, there is very little likelihood of any appreciable upward trend in trading profits while control of prices and profits remains in its present form. Moreover, while Excess Profits tax continue at 100 per cent., there is, in effect, a ceiling to disposable profits.

From the long term point of view, it is obvious that other limitations of profits will impose themselves for some time, not the least of which will be the necessity of passing on to consumers some of the benefits of the efficiency and economy that we are achieving in manufacture. The best interests of shareholders are indissolubly linked with those of consumers and employees, and no company will have a right to survive in the future which does not have proper regard for all three of these aspects of the community's interest in its affairs.

While giving full weight to the foregoing considerations, your directors have decided upon an ordinary dividend of 10 per cent., because they consider that there is a reasonable hope of maintaining it.

FUTURE DEVELOPMENTS

As befits a company of our standing, we are taking a leading part in attempting to solve, in collaboration with the rest of the tinplate trade, the two outstanding problems of redundancy and reconstruction. Meanwhile, we are paying close attention to our own plant and neglecting no opportunity of increasing its efficiency.

Your directors have also had recently under review the vital question of research. It may be anticipated that in the future there will be increased expenditure under this heading.

McDOUGALLS TRUST, LIMITED

HIGHER TRADING PROFITS

The tenth ordinary general meeting of McDougalls Trust, Limited, was held, on the 6th instant, in London. Mr Kenneth A. E. Moore, the chairman, presided.

The following is an extract from the chairman's statement:—

The accounts of the operating company, McDougalls, Limited, for the year ended March 31, 1943, show hardly a ripple on the surface—the profit of £256,382, which corresponds approximately with the pre-war standard for excess profits tax purposes, being a thousand or two higher than in recent years.

The business has, in fact, earned profits substantially in excess of £250,000 in each year since the imposition of excess profits tax and since the inception of Government control of flour milling operations, but such excess is for Government account either in terms of excess profits tax or by adjustment of remuneration under the Government agreements with the milling industry. Throughout this period the dividends paid by McDougalls, Limited, to McDougalls Trust, Limited, have been stabilised at £202,000, enabling the latter company to maintain the customary dividend of 10 per cent. on its ordinary shares.

PRODUCTION MAINTAINED

The rationing of all the principal articles of food, other than flour, has not unnaturally led to an increase in the consumption of flour, not only in the form of bread but also in the form for which McDougalls self-raising flour has always been pre-eminent—namely, home-cooked puddings, pastries, cakes, etc. In this and other ways (for example, the increased consumption of potatoes) no one in this country has yet gone short of what is required for the maintenance of health and energy—in fact, statistics point to a definite improvement in public health, showing that the combination of rationed and unrationed foods available to the public is adequate.

The demand for McDougalls self-raising flour has been almost insatiable, and our management and workpeople can take credit for having achieved and maintained a very substantial increase in production.

When war was threatening, and in good time, we took all practicable steps to increase our stocks of wheat, raising ingredients, packing materials, etc., and to increase our packing facilities elsewhere than in London. Looking back it is interesting to note that the one thing we have never been short of is wheat, and for that (except for the first few months of the war, for which we ourselves had provided) we have to thank the arrangements made by the Government and the efforts of the Royal Navy, Merchant Navy, and farmers. It is rather in the unspectacular but essential details such as paper, cardboard, string, and even gum that our material difficulties have at times seemed formidable. In the end none has proved insuperable.

ZONING SCHEME

So far as distribution and transport are concerned, it has recently been necessary in the national interest for "zoning" to be applied to the self-raising flour trade. In the preparation and initiation of the zoning scheme (and, indeed, in many other ways) it has been both our duty and pleasure to co-operate to the full with the Ministry of Food. The zoning scheme, which is now in operation, inevitably involves some disturbance of our trade in view of its national distribution. Fortunately we have mills and packing plants in various parts of the country, and, thanks to these and to reciprocal arrangements which we have made with certain of our friends and competitors, whose help and co-operation in this regard I desire to acknowledge, the disturbance is unlikely to assume major proportions.

The report was adopted.

LISBON ELECTRIC TRAMWAYS, LIMITED

INCREASED TRAFFIC

The forty-fifth ordinary general meeting of Lisbon Electric Tramways, Limited, will be held, on the 18th instant, at No. 4 London Wall Buildings, London, E.C.

The following is a summary of the statement, by the chairman, Mr A. N. Rye, M.I.E.E., which has been issued to the shareholders with the report:—

The revenue shows an increase of £183,144, but the increase in expenditure amounts to £188,954. Included in this figure is not only the enormously increased cost of coal and all the supplies we need to maintain the system, but also the provision we have thought it necessary to make for deferred maintenance and provision for the total taxation which will ultimately have to be paid on the profits of 1942.

The profit and loss account shows a balance to the credit of £58,948, to which is added the balance brought forward of £30,891, together amounting to £89,839. The board recommends the payment of a final dividend of 2½ per cent. net, which, with the interim dividend, will make 5 per cent. net for the year, this being the same as the dividend paid last year.

On April 13, 1943, the Portuguese Government enacted a law for the nationalisation of companies operating public utility undertakings in Portugal. We are advised that this law does not become fully operative until after the issue of regulations which have not yet been published; consequently it is not possible at this stage to say to what extent, if any, this company will be affected.

In accordance with the findings of the Wages Commission, set up by the Portuguese Government, increases of wages and improved conditions of employment have had to be granted as from January 1, 1943, which will cost the company about £65,000 per annum.

HUDSON'S BAY COMPANY

RECORD PROFITS

The 274th annual general court of the Governor and Company of Adventurers of England Trading into Hudson's Bay was held, on the 6th instant, in London. Mr P. A. Cooper (the Governor) presiding.

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

The outstanding features of the accounts are the financial strength of the company, the record trading profits, and the high level of taxation which absorbs the bulk of these profits. The expanded purchasing power in the hands of the public contributed to record sales and profits in our retail stores. Great credit is due to our managements for what has been achieved in face of difficulties of all kinds.

Supply difficulties also affected the wholesale operations, dealing as they do largely with imported commodities such as tea, coffee, blankets, and Scotch whisky. Owing to restrictions, further business in the United Kingdom was still at a low ebb. The profits, though less than those of last year, were substantial.

Improved incomes from crops, increased livestock sales and other sources assisted Land Department collections. They also stimulated sales of land, though substantial sales of low-grade lands, partly for non-agricultural purposes, lowered the average price obtained during the year. However, there is no sign of a marked improvement in prices of West Canadian farm lands.

In the midst of a great war it is difficult to say much about the prospects of the company as a whole. Our most important task at the present time is to strengthen it so that it may be able both to overcome difficulties and to take advantage of opportunities for profitable developments.

The report was adopted.

IMPERIAL BANK OF IRAN

WARTIME CONDITIONS AND PROBLEMS

SIR HENRY McMAHON'S STATEMENT

The fifty-fourth ordinary general meeting of the Imperial Bank of Iran will be held, on the 25th instant, at the Institute of Chartered Accountants, Moorgate Place, London, E.C.

The following is the statement of the chairman, Col. Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I., circulated with the report and accounts:—Our Iranian accounts this year have been converted at 128 rials to the pound sterling, which has been the official buying rate since May, 1942.

Transactions in sterling, dollars, rupees and Iraq dinars have been unrestricted in Iran throughout most of the year, and all operations in foreign exchange by the Banque Mellie and ourselves have been for account of the Iranian Government Commission for the Control of Foreign Exchange. The business of exchange settlement has, however, now been assumed by the note issue department of the Banque Mellie, which will carry the risk of uncovered positions and will receive the greater part of the difference between buying and selling rates.

INFLATIONARY INFLUENCES

The rise in prices of labour and commodities has proceeded apace, but with substantial British and American requirements of Iranian currency, and the increased difficulty in importing goods to Iran, there has been no occasion to disturb the welcome stability of exchange rates notwithstanding the heavy fall in the purchasing power of the rial. Traders and property owners have continued to make abnormal profits, and their financial resources are much increased.

These inflationary influences, and the parallel movement in Iraq, are reflected in our balance-sheet, where the total of deposits has risen by 75 per cent. to over £16 million. The latter figure, however, is exceptionally swollen by some large deposits against which advances appear on the other side of the account. The greater part of the increase of £800,000 under bills payable is in items in transit, these amounts being increased by postal and telegraphic delays.

On the other side of the account we have increases of £5,400,000 in cash, £700,000 in investments, £1,700,000 in discounts and advances, and £250,000 in bills receivable. It will be seen that we hold 55 per cent. of our deposit liabilities in cash and money at call or short notice. The amount of £6,358,000 shown under discounts and advances includes some £4½ million secured by sterling and dollar balances or held on

our account by correspondent banks in America and India in respect of our customers' business. Bills receivable are increased by items in transit for the reason already given. Acceptances reflect a small reduction in our documentary credits outstanding.

PROFITS FOR THE YEAR

Our profit for the year, after ample reservation for taxation, shows an increase of £7,672, which enables us, besides providing for the usual dividend, to place £50,000 to reserve account and to increase the carry forward by £500.

Iran is faced with the same present and post-war problems as beset other such countries where the restraints arising from an international conflict are not made acceptable, nor its opportunities controlled, by the stark needs of active warfare. The budget, strained by greatly increased administrative costs, is not balanced by compensatory increases in direct or indirect revenue, and control of speculation and of the supply and distribution of essential commodities has not been adequately effective. The Savings Bank has made progress, but there has never yet been an issue of Government bills, bonds or stock for internal public subscription. To assist in meeting these difficulties, the Iranian Government has repeated its policy of 1922-1927 by calling in an American financial adviser to whom wide powers have been given. The immediate prospect has been much improved by hopes of an excellent harvest.

BUSINESS IN IRAQ

Business in Iraq has shown the same features of active employment and trade, shortage of imported goods, high prices, and good crop prospects. Wholesale prices in Baghdad last spring were about six times the pre-war average, which is about the same increase as in Iran. Contraband export of wheat and barley over the wide frontiers to Iran and Syria was nevertheless extensive. The lion's share of trade with both Iran and Iraq has again gone to India. Much of the import trade from India to the Persian Gulf is now carried in native sailing craft owing to the shortage of ordinary cargo steamers.

The resumption of commercial transport through the Mediterranean will help to restore the trade of both countries with Britain and America. The Iraq Government budget, like that of Iran, again shows a deficit owing to higher administrative costs. Oil revenues are an important con-

tributory to the resources of both countries. The Iraq exchange has maintained its admirable record of stability. The note circulation, like that of Iran, has continued to expand.

THE KUWAIT OFFICE

Our office at Kuwait has justified its establishment. This port is a valuable emporium for trade with the hinterland of North-Eastern Arabia, mainly in goods imported from India. The countries we serve in the Middle East have not suffered the direct shock of war, though they have felt its repercussions. With wise administration, supported by the growth of public spirit, they should take an increasing share in the comity of nations, and in the beneficial exchanges of international trade, when the world's highways reopen to peaceful traffic.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

RECORD CROPS

The thirty-sixth ordinary general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held, on the 12th instant, in London, Mr H. J. Welch, the chairman, presiding.

The following is an extract from the address of the chairman, circulated with the report: After writing off £11,134, the net amount expended during the year on buildings, machinery, etc., and providing £75,000 for Ceylon taxation and £55,000 for excess profits tax, the net profits amounted to £112,730. The final dividend of 6 per cent., less income tax at 6s. 4d. in the £, makes for the year 10 per cent., less income tax at an average of 6s. 7d. in the £. The low rate of income tax deducted is attributable to Dominion tax relief. The dividends paid are equal to 13.46 per cent. for the year if income tax had been deducted at the standard rate of 10s. in the £.

The tea crop manufactured—over 7,500,000 lbs.—was a high record for the company, and averaged 824 lbs. per acre. Any saving which might have resulted from the increased output was more than offset by increases in the cost of production. The price realised was 1d. per lb. higher, but the profit per acre was lower at £14 15s. 7d.

The rubber crop of 2,177,000 lbs. (over 970 tons) was also a high record, and averaged 477 lbs. per acre tapped. The price realised shows an increase of over 2½d. per lb. and the profit per acre was £7 9s. 6d. Copra manufactured from our coconut crop amounted to 632½ tons and yielded a profit of £2 10s. 5d. per acre. We estimate during the current year to produce larger crops of tea and rubber, but at increased cost in each case.

The report and accounts were adopted.

(Continued from page 217)

Leyland Motors.

	1940	1941	1942
Profit after tax, deferred repairs, etc.	286,339	299,497	417,112
Depreciation	135,820	132,591	172,995
Directors' fees	21,004	24,185*	34,899*
Insurance, pensions funds	37,241	38,652	64,471
Preference dividends	39,244	35,333	34,125
Earned on Ordinary	53,030	68,736	110,622
Paid on Ordinary	51,750	70,313	67,500
Earned %	10.3	14.6	24.6
Paid %	10	15	15
Carry forward	109,087	107,510	150,632
Net fixed assets	1,241,431	1,193,229	1,096,614
Net inter-company holdings	90,019	66,978	81,773
Net liquid assets	1,748,216	1,817,882	1,942,824
Gross liquid	3,451,502	4,295,103	5,466,774
Cash, T.R. certs. and Govt. secs.	216,386	371,427	1,409,679

* Includes £12,300 adjustment in respect of previous years.

† £21,485 provided in 1941 accounts, £2,700 from amount brought forward in 1942 accounts.

The £1 ordinary shares quoted at 75s. 6d. ex dividend yield £3 19s. 5d. per cent.

Tootal Broadhurst Lee.—Cotton spinners and manufacturers of cotton goods.

	1941	1942	1943
Profit after all charges†	221,184	274,363	269,987
Loan interest	1,148	1,122	974
Reserve for taxation	150,000	191,000	155,000
Preference divs.	10,250	10,000	10,000
Earned on Ordinary	59,786	72,241	104,013
Paid on Ordinary*	55,364	55,364	55,364
Earned %	13.5	16.3	23.5
Paid %	12½	12½	12½
General reserve			50,000
Carry forward	104,056	120,933	119,582
Net fixed assets	630,231	576,856	529,457
Net inter-company items	52,803	9,213	Dr. 222
Net liquid assets	1,214,840	1,328,682	1,434,165
Gross liquid assets	2,685,883	3,009,160	3,439,364
Cash and Trustee Securities	889,537	1,239,293	1,620,835

* Includes payment on employees' shares. † After E.P.T., but before income tax.

The £1 ordinary shares quoted at 63s. 6d. ex dividend yield £3 18s. 8d. per cent.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Tea Purchase.—The Minister of Food has bought all the 1943 tea crops—amounting to 700,000,000 lb.—available to the United Nations, on behalf of the United Nations. The Empire crop has been increased to offset losses from the Netherlands East Indies and China. It is likely that the tea ration in this country will be maintained at its present level throughout 1944.

Farm Workers' Wages.—The application for an increase in the national minimum wage for farm workers to £4 a week was rejected by the Agricultural Wages Board on Wednesday, but a motion for an increase of 5s. a week was carried. The Board will meet again on September 21st.

Coal Output.—The output of saleable coal in the four weeks ended July 10, 1943, averaged 3,579,700 tons a week compared with 3,936,600 tons in the previous four weeks. These figures are, however, not comparable with the previous four weeks owing to the incidence of the Whitsun holiday.

WEEKLY OUTPUT OF SALEABLE COAL (Weekly Standard Tonnage 4,161,800 tons)

Four Weeks ended*	1941 tons	1942 tons	Four Weeks ended*	1942 tons	1943 tons
Sept. 5th	4,940,200	3,974,000	Jan. 23rd	3,824,800	3,813,400
Oct. 3rd	4,146,500	4,076,100	Feb. 20th	4,028,000	4,016,400
Oct. 31st	4,131,400	4,124,500	Mar. 5th	4,074,600	4,013,700
Nov. 28th	4,196,550	4,126,500	May 15th	3,739,800	4,003,200
Dec. 26th	3,853,400	3,880,100	June 12th	4,103,900	3,624,600
			July 10th	3,724,800	3,936,600
				3,987,200	3,579,700

* The actual dates given relate to 1942 and 1943.

PERCENTAGES OF DISTRICT TARGETS REACHED* (During Four Weeks Ended)

	June 1943	July 1943		June 1943	July 1943
	12	10		12	10
	1943	1943		1943	1943
Northumberland	95.4	95.3	South Staffordshire and	89.2	83.0
Cumberland	92.2	93.9	Worcestershire	99.4	94.1
Durham	96.3	91.9	Shropshire	99.4	94.1
South Yorkshire	92.3	94.1	Warwickshire	99.4	94.1
West Yorkshire	92.2	94.1	South Wales and Mon-	95.2	92.0
North Derbyshire	102.1	99.7	mouthshire	95.2	92.0
Nottinghamshire	102.1	101.0	Forest of Dean	95.2	92.0
South Derbyshire	105.1	98.3	Bristol	93.5	95.5
Leicestershire	107.1	102.2	Gloucestershire	96.0	96.7
Lancashire	107.3	106.5	Somerset	102.2	99.7
Lancashire and Cheshire	95.5	96.9	Essex and Cambridgeshire	93.2	95.4
North Wales	94.4	91.7	Lincolnshire	97.9	100.0
North Staffordshire	94.4	90.6	Yorkshire	90.8	91.0
Canterbury	95.4	94.2			

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control. † Not yet available. ‡ Still under review.

The production from open cast working (outcrops) averaged 88,900 tons per week. The three districts which qualify for output bonus are North Derbyshire, South Derbyshire and Leicestershire.

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	
1938	94	94	93	+ 1.0
1939	86	86	85	+ 7.0
1940	93	105	103	+ 10.7
1941	82	98	90	+ 12.6
1942	95	104	99	+ 14.7
1942, May	91	100	100	
June	87	108	107	+ 22.0
1943, May	105	98	95	+ 5.0
June	104	81	80	+ 25.2

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. * Publication of Indices of Export Sales suspended in September, 1942. Source: Board of Trade Journal.

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

	Aug. 5, 1943	Aug. 6, 1943	Aug. 9, 1943	Aug. 10, 1943	Aug. 11, 1943
Crops	120.3	120.6	120.7	120.9	120.9
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	148.1	148.3	148.3	148.4	148.4
	Mar. 31, 1937	Aug. 31, 1939	Aug. 11, 1942	Aug. 12, 1943	Aug. 13, 1943
Crops	147.9	92.2	117.8	120.0	120.4
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	142.7	147.9	148.1

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937*	Aug. 30, 1939	Aug. 4, 1942	July 20, 1943	Aug. 3, 1943
Cereals and Meat	93.0	66.9	108.0	111.3	110.0
Other Foods	70.4	61.1	102.6	107.5	107.5
Textiles	74.2	54.3	92.5	93.0	92.9
Minerals	113.2	95.4	131.8	135.9	135.9
Miscellaneous	87.0	77.6	120.0	126.8	126.8
Complete Index	87.2	70.3	110.9	114.7	114.4
1913=100	119.9	90.8	152.3	157.8	157.4

* Highest level reached during 1932-37 recovery.

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

	Daily Average Sales			Stocks (at cost) end May
	1943	1942	1941	
	April	May	June	

(a) By Commodities				
Non-food Merchandise	+ 1.6	+ 3.9	+ 24.5	+ 11.3
Food and Perishables	+ 10.8	+ 4.8	+ 27.1	+ 12.7
Men's and Boys' Wear	+ 0.5	+ 12.6	+ 31.0	+ 12.7
Boots and Shoes	+ 2.1	+ 12.1	+ 17.3	+ 23.2
Furnishing Departments	+ 15.2	+ 15.3	+ 16.3	+ 4.0
Hardware	+ 6.4	+ 15.0	+ 5.0	+ 0.5
Fancy Departments	+ 5.7	+ 5.1	+ 11.5	+ 17.7
Sports and Travel	+ 1.9	+ 1.6	+ 10.3	+ 25.2
Miscellaneous	+ 0.3	+ 5.9	+ 15.5	+ 1.8
Total	+ 1.3	+ 1.4	+ 7.0	+ 14.4
(b) Districts				
Scotland	+ 2.0	Nil	+ 6.5	+ 2.4
North-East	+ 0.6	+ 5.2	+ 1.3	+ 0.8
North-West	+ 2.2	+ 5.0	+ 2.6	+ 0.8
Midland and S. Wales	+ 0.5	+ 4.0	+ 3.3	+ 0.3
South England	+ 2.6	+ 4.3	+ 4.2	+ 3.6
Central and West-End London	+ 5.1	+ 6.9	+ 3.6	+ 9.5
Suburban London	+ 4.4	+ 2.9	+ 2.4	+ 5.2
Unallocated	+ 4.9	+ 12.9	+ 13.0	+ 19.5

Source: Board of Trade Journal.

FINANCE AND BANKING

THE MONEY MARKET.—At the beginning of the week there were signs of a tighter credit position in the money market. By the middle of the week, however, supplies of credit, though not abundant, were adequate; the banks were readier buyers of bills, and the market had no difficulty in taking up its Treasury Bills, especially as its allotment at the previous tender had been comparatively low. The Bank Return shows a further small contraction in the credit base. The holiday season is still influencing the note circulation, which shows a rise of £1,596,000. On the other hand, Government securities and other securities are down by £3,115,000 and £2,524,000 respectively, and the net effect on bankers' deposits is a fall of £8,374,000 to £140,259,000.

MONEY RATES, LONDON.—The following rates remained unchanged between Aug. 6th and Aug. 12th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%, 3 months 1½%, 4 months 1½%, 6 months 1½%, 1 year 1½%. Treasury Bills: 2 months 1½%, 3 months 1½%, 6 months 1½%, 1 year 1½% (Aug. 6-9, 1-1½%). Short Loans, 1-1½%. Day-to-day Discount deposit at call ½%, at notice ½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Aug. 6th and Aug. 12th. (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. **Dutch West Indies.** Florin (12.11) 7-58-62½. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$ (4.02-04) (buying). **Brazil.** 83-64½ cr. (buying). **Uruguay.** 7-6597 p.

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Aug. 6th and Aug. 12th:

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½ p.d. **Belgian Congo.** Francs 176½-1. **China.** National \$3-3½. **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. Rate for payment into Argentine special account is 16-00 pesos (Aug. 10th).

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.

GOVERNMENT RETURNS

For the week ended Aug. 7th, 1943, total ordinary revenue was £48,923,000, against ordinary expenditure of £99,581,000, and issues to sinking funds of £205,000. Thus, including sinking fund allocations of £3,250,958 the deficit accrued since April 1st is £1,153,858,000 against £1,014,619,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Aug. 8, 1942	April 1 to Aug. 7, 1943	Week ended Aug. 8, 1942	Week ended Aug. 7, 1943
ORDINARY REVENUE					
Income Tax	117,500	200,861	250,185	5,976	14,199
Sur-tax	80,000	9,690	9,585	410	205
Estate, etc.	100,000	35,241	34,692	1,648	1,504
Duties	17,000	4,440	5,250	385	520
N.D.C.	500,000	91,441	145,639	5,287	9,835
E.P.T.	1,000	240	163	...	...
Other Ind. Rev.	187,300	351,106	453,870	13,706	26,263
Total Ind. Rev.	525,320	157,158	185,045	13,347	10,942
Customs	450,180	147,200	165,200	11,220	9,300
Excise	975,500	304,358	330,245	24,567	20,242
Total Customs & Excise	25,000	4,330	3,323	758	618
Motor Duties	...	...	...	...	...
Canadian Govt. Contribution	...	127,849	...	4,494	...
P.O. (Net Receipts)	400	8,500	1,040	1,500	...
Wireless Licences	4,700	890	1,040	...	...
Crown Lands	800	360	380	...	...
Receipts from	4,100	786	1,742	...	...
Sundry Loans	24,000	35,419	26,595	2,300	1,800
Miscellaneous Receipts	290,750	833,598	837,195	47,325	48,923
Total Ord. Rev.	110,632	34,350	38,150	1,250	2,750
SELF-BALANCING P.O. & Broadcast	301,832	867,948	875,345	48,575	51,673

Expenditure	Estimate, 1943-44	April 1 to Aug. 8, 1942	April 1 to Aug. 7, 1943	Week ended Aug. 8, 1942	Week ended Aug. 7, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	124,622	136,167	2,052	17,430
Payments to N. Ireland	9,500	2,683	2,656	335	332
Other Cons. Fund Services	7,500	3,400	3,226	...	...
Total	392,000	130,705	142,049	2,387	17,762
Supply Services	536,675	171,469	184,753	85,975	81,819
Total Ord. Exp.	578,675	184,534	198,802	88,362	99,581
SELF-BALANCING P.O. & Broadcast	110,632	34,350	38,150	1,250	2,750
Total	589,307	187,964	202,592	89,612	102,331

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £153,491 to £2,967,880, the other operations for the week (no longer shown separately) raised the gross National Debt by £49,845,336 to £18,008 million.

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Aug. 5	5,922	3,558	105.1 133.8
" 6	5,644	3,265	105.2 133.8
" 9	7,669	3,457	105.2 133.8
" 10	5,892	3,324	105.2 133.4
" 11	5,641	3,323	105.1 133.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 105.4 (Aug. 3), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.9 (July 2).

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	25
	225
NET RECEIPTS (£ thousands)	
Title Act	290
War Damage Act	1,107
	1,397

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
Aug. 8	975.0	Not available			
May 8	1020.0	"			
" 15	1035.0	"			
" 22	1050.0	"			
" 29	1065.0	1885.9	233.3	983.5	4167.7
June 5	1080.0	Not available			
" 12	1095.0	"			
" 19	1110.0	"			
" 26	1125.0	"			
July 3	1140.0	244.4	55.0	925.5	4253.1
" 10	1155.0	"			
" 17	1165.0	"			
" 24	1170.0	"			
Aug. 7	1170.0	1899.1	309.0	973.5	4351.6

TREASURY BILLS

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1942				s.	d.	
Aug. 7	75.0	151.4	75.0	20	0.71	38
1943						
May 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
June 4	90.0	154.5	90.0	20	0.80	46
" 11	90.0	152.8	90.0	20	0.76	42
" 18	90.0	160.8	90.0	20	0.69	42
" 25	90.0	165.2	90.0	20	0.47	42
July 2	90.0	173.5	90.0	20	0.37	38
" 9	90.0	180.2	90.0	20	0.28	35
" 16	90.0	175.4	90.0	20	0.00	33
" 23	90.0	164.6	90.0	20	0.29	40
" 30	90.0	182.8	90.0	19	11.31	30
Aug. 6	90.0	195.6	90.0	20	0.02	28

PROVINCIAL BANK CLEARINGS
£ thousands

Week ended	Aug. 8, 1942	Aug. 15, 1942	Aug. 22, 1942	Aug. 29, 1942	Aug. 5, 1943
Working days	5	5	5	5	5
Birmingham	2,274	1,556	79,987	76,471	76,471
Bradford	1,529	1,277	67,233	64,475	64,475
Leeds	2,235	514	74,355	21,222	21,222
Manchester	574	425	24,477	18,930	18,930
Newcastle	535	1,011	35,816	36,627	36,627
Nottingham	3,834	3,421	152,339	146,901	146,901
Sheffield	12,649	3,219	383,473	352,785	352,785
Southampton	1,514	1,379	47,670	48,403	48,403
Southampton	456	1,350	14,546	14,781	14,781
Southampton	1,173	1,122	27,491	30,741	30,741
Southampton	159	78	3,662	4,307	4,307
12 Towns	27,492	14,831	941,930	832,741	832,741
Dublin*	7,675	7,685	206,589	221,852	221,852

NEW YORK EXCHANGE RATES

New York on	Aug. 4	Aug. 5	Aug. 6	Aug. 7	Aug. 8	Aug. 9	Aug. 10
Cables	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2
London	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2	4.21 1/2
Zurich	34.00	34.00	34.00	34.00	34.00	34.00	34.00
B. Aires	25.10	25.10	25.10	25.10	25.10	25.10	25.10
Rio	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10	4.10

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS
900's omitted

Assets	Barclays Bank Ltd.	Com. Bank Ltd.	District Bank Ltd.	Glen 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
Com. Bank Notes and Balances	76,995	3,611	15,371	5,861	68,769	17,656	77,635	4,881	49,169	48,315	7,078	375,34
Reserve Fund	21,156	792	3,911	1,791	17,557	3,021	23,507	214	15,839	17,864	3,952	109,604
Investments	22,935	4,447	4,562	7,737	7,733	3,208	23,507	8,611	20,205	21,414	5,998	160,419
Advances to Customers	202,000	1,564	12,000	1,282	28,394	7,520	29,873	1,004	26,894	39,327	17,000	245,947
Liabilities of Customers	218,643	4,500	41,000	4,000	48,394	5,995	56,025	8,611	20,205	21,414	5,998	160,419
Bank Premises Account	15,184	1,331	3,538	5,858	20,095	9,461	14,330	292	10,347	18,463	2,955	102,854
Investments in Affiliated Banks and Subsidiary Companies	7,924	405	4,425	695	6,792	2,871	8,726	506	6,967	4,940	920	42,171
Ratio of Cash to Current Liabilities and other Accounts	752,850	38,615	157,708	59,484	692,309	182,085	798,943	50,651	503,951	530,794	75,791	3,873,182
Capital Paid up	10,411	10,425	10,377	11,333	10,644	10,772	10,266	10,577	10,344	9,779	10,122	10,355
Reserve Fund	15,458	1,990	2,977	1,050	15,810	4,160	15,159	1,500	9,480	9,320	1,875	78,199
Current Liabilities and other Accounts	11,250	1,000	2,977	850	10,000	3,700	12,910	1,180	8,500	9,320	1,000	62,686
Acceptances, Endorsements and Notes in Circulation	7,924	35,285	149,217	51,716	646,390	164,744	756,544	46,157	475,624	493,675	69,961	3,627,871
Notes in Circulation	15,184	1,331	3,538	5,858	20,095	9,461	14,330	292	10,347	18,463	2,955	102,854
Ratio of Cash to Current Liabilities and other Accounts	752,850	38,615	157,708	59,484	692,309	182,085	798,943	50,651	503,951	530,794	75,791	3,873,182

EXCHANGE RATES (Monthly Tables)
Australia and New Zealand

Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
London to Australia	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2
London to New Zealand	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2

SOUTH AFRICA

Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
London to South Africa	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2

CENTRAL AND SOUTH AMERICA

Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
London to Central America	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2

OVERSEAS BANK RETURNS
U.S. FEDERAL RESERVE
Million \$'s

12 U.S.F.R. Banks	Aug. 1942	July 1942	June 1942	May 1942	Aug. 1943
Gold certifs. on hand and due from Treasury	20,548	20,130	20,111	20,108	20,108
Total cash reserves	20,812	20,536	20,519	20,503	20,503
Total U.S. Govt. securities	251	354	355	341	341
Total bills and secs.	3,303	7,577	7,951	8,165	8,165
Total resources	3,322	7,598	7,976	8,195	8,195
LIABILITIES	25,250	29,924	30,222	30,474	30,474
F.R. notes in circulation	9,768	14,145	14,228	14,433	14,433
Excess mfr. bank notes	2,250	1,190	1,020	1,030	1,030
Mr. bank res. dep.	12,602	12,319	12,309	12,336	12,336
Govt. deposits	285	293	559	398	398
Total deposits	14,221	14,156	14,440	14,384	14,384
Total liabilities	25,250	29,924	30,222	30,474	30,474
Reserve ratio	86.8%	72.6%	71.6%	71.2%	71.2%

RESERVE BANK OF INDIA
Million rupees

Assets	July 1942	July 1943	July 1943	July 1943	July 1943
Gold coin & bullion	444	444	444	444	444
Rupee coin	299	148	145	148	148
Balances abroad	806	847	931	920	920
Sterling securities	2,868	5,708	5,777	5,777	5,777
Ind. Govt. rup. secs.	1,024	1,184	1,184	1,115	1,083
Investments	64	74	74	93	77
LIABILITIES	4,514	7,376	7,374	7,389	7,406
Notes in circ.	207	244	252	300	306
Deposits: Govt.	207	244	252	300	306
Deposits: Banks	207	244	252	300	306
Reserve ratio	71.5%	82.2%	82.2%	83.1%	83.5%

AUSTRALIAN COMMONWEALTH BANK—Million £'s

Assets	May 1942	May 1943	May 1943	May 1943	May 1943
Gold and foreign exch.	25,955	35,114	35,114	35,114	35,114
Other coin, bullion, etc.	9,89	12,05	12,23	11,85	11,85
Call money, London	32,88	45,67	45,19	45,42	45,42
Securities and Treas. bills	106,13	216,86	217,77	215,53	215,53
Discounts and advances	29,65	21,82	21,21	20,55	20,55
LIABILITIES	98,36	138,38	138,38	138,38	138,38
Notes issued	127,59	181,70	181,70	181,70	181,70
Deposits, etc.	127,59	181,70	181,70	181,70	181,70

BANK OF CANADA
Million Can. \$'s

Assets	July 1942	June 1943	June 1943	July 1943	July 1943
Reserve: Gold	846.1	1118.0	1129.6	1147.7	1147.7
Securities	554.1	751.2	758.4	765.5	765.5
Deposits: Dom. Govt.	22.9	72.1	90.1	112.3	112.3
Chartered banks	244.8	302.0	301.1	306.1	306.1
LIABILITIES	554.1	751.2	758.4	765.5	765.5
Note circulation	554.1	751.2	758.4	765.5	765.5
Deposits: Dom. Govt.	22.9	72.1	90.1	112.3	112.3
Chartered banks	244.8	302.0	301.1	306.1	306.1

RESERVE BANK OF INDIA
Million rupees

Assets	July 1942	July 1943	July 1943	July 1943	July 1943
Gold coin & bullion	444	444	444	444	444
Rupee coin	299	148	145	148	148
Balances abroad	806	847	931	920	920
Sterling securities	2,868	5,708	5,777	5,777	5,777
Ind. Govt. rup. secs.	1,024	1,184	1,184	1,115	1,083
Investments	64	74	74	93	77
LIABILITIES	4,514	7,376	7,374	7,389	7,406
Notes in circ.	207	244	252	300	306
Deposits: Govt.	207	244	252	300	306
Deposits: Banks	207	244	252	300	306
Reserve ratio	71.5%	82.2%	82.2%	83.1%	83.5%

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for																	
Prices, Aug. 1942		Prices, Jan. 1 to Aug. 10, 1943		Name of Security		Price, Aug. 1943	Price, Aug. 1943	Yield, Aug. 1943	Prices, Jan. 1 to Aug. 10, 1943		Last two Dividends		Name of Security		Price, Aug. 1943	Price, Aug. 1943	Yield, Aug. 1943
High	Low	High	Low						High	Low	(a)	(b)	(c)				
British Funds																	
81	83 1/2	79 1/2	80 1/2	80 1/2	80 1/2	51/9	46 7/8	d	51/9	46 7/8	%	a	%	Iron, Coal and Steel	48/6	48 1/2	4 11 3/4
109 1/2	112 1/2	109 1/2	110 1/2	110 1/2	110 1/2	55 1/2	49/3	d	55 1/2	49/3	%	a	%	Babcock & Wilcox	54/9	55 1/2	5 9 0
100 1/2	102 1/2	100 1/2	101 1/2	101 1/2	101 1/2	28 1/2	23/3	d	28 1/2	23/3	%	a	%	Bolsover Colliery Ord. 11	28/9	28/9	3 9 3/4
102 1/2	104 1/2	102 1/2	103 1/2	103 1/2	103 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Brown (John) Ord. 10	23/6	23/6	3 16 0
104 1/2	106 1/2	104 1/2	105 1/2	105 1/2	105 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Colvilles Ord. Ord. 10	27/6	27/6	5 19 0
106 1/2	108 1/2	106 1/2	107 1/2	107 1/2	107 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Dorman Long Ord. 11	32/6	32/6	6 2 0
108 1/2	110 1/2	108 1/2	109 1/2	109 1/2	109 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Guest Keen & Ord. 11	27/6	27/6	2 9 0
110 1/2	112 1/2	110 1/2	111 1/2	111 1/2	111 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Hadfield's Ord. 10	31/6	31/6	2 8 6 1/2
112 1/2	114 1/2	112 1/2	113 1/2	113 1/2	113 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Staveley Coal Ord. 11	53/9	53/9	4 16 0
114 1/2	116 1/2	114 1/2	115 1/2	115 1/2	115 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Stewarts and Lloyds 11	37/6	37/6	5 6 6
116 1/2	118 1/2	116 1/2	117 1/2	117 1/2	117 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Swan, Hunter Ord. 10	10/9	10/9	6 6 8
118 1/2	120 1/2	118 1/2	119 1/2	119 1/2	119 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	Thomas (Richard) Ord. 6/8	25/-	25/-	6 8 0
120 1/2	122 1/2	120 1/2	121 1/2	121 1/2	121 1/2	27 1/2	21 7/8	d	27 1/2	21 7/8	%	a	%	United Steel Ord. 11	19/6	19/6	5 3 9
Textiles																	
102	101	102 1/2	101	101	101	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Bradford Dryers Ord. 11	22/-	21/6	Nil
103	102	103 1/2	102	102	102	22 1/2	17/10	d	22 1/2	17/10	%	a	%	British Celanese Ord. 10	36/3	32/6	Nil
104	103	104 1/2	103	103	103	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Coats, J. & P. Ord. 11	43/3	48/6	3 12 0
105	104	105 1/2	104	104	104	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Courtaulds Ord. 11	53/3	55/3	2 14 0
106	105	106 1/2	105	105	105	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Fine Cotton Spinning 11	23/6	22/6	3 6 9
107	106	107 1/2	106	106	106	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Yarns, Crompton Corp. 11	37/3	36/6	4 2 0
Electrical Manufacture																	
102	101	102 1/2	101	101	101	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Callenders Cable, E. 11	97/-	99/-	4 0 9
103	102	103 1/2	102	102	102	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Crompton Corp. 'A' 5/-	28/-	28/-	3 16 6
104	103	104 1/2	103	103	103	22 1/2	17/10	d	22 1/2	17/10	%	a	%	English Electric Ord. 11	48/-	48/-	4 3 3
105	104	105 1/2	104	104	104	22 1/2	17/10	d	22 1/2	17/10	%	a	%	General Electric Ord. 11	89/-	89/-	3 18 0
Gas and Electricity																	
102	101	102 1/2	101	101	101	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Gas Light & Coke Ord. 11	39/-	39/6	4 0 9
103	102	103 1/2	102	102	102	22 1/2	17/10	d	22 1/2	17/10	%	a	%	North-East & Coke Ord. 11	19/6	19/6	2 10 6 1/2
104	103	104 1/2	103	103	103	22 1/2	17/10	d	22 1/2	17/10	%	a	%	County Light Electric 11	32/-	32/-	4 5 3
105	104	105 1/2	104	104	104	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Scottish Power Ord. 11	37/6	37/6	4 0 9
106	105	106 1/2	105	105	105	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Yorkshire Electric 11	39/6	39/6	4 0 9
Motor and Aircraft																	
102	101	102 1/2	101	101	101	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Austin 'A' Ord. 5/-	26/-	26/-	1 18 6
103	102	103 1/2	102	102	102	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Birmingham Ord. 11	23/9	23/9	6 6 0
104	103	104 1/2	103	103	103	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Brush Aeroplanes 10	13 7/8	13 7/8	4 19 3/4
105	104	105 1/2	104	104	104	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Farney Aviation Ord. 10	16/6	16/6	7 8 6
106	105	106 1/2	105	105	105	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Ford Motors Ord. 11	35/-	35/-	9 6 0
107	106	107 1/2	106	106	106	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Hawker Siddeley 5/-	16/6	16/6	3 16 0
108	107	108 1/2	107	107	107	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Lucas (Joseph) Ord. 11	43/6	43/6	2 0 0
109	108	109 1/2	108	108	108	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Morris Motors 5/- Ord. 11	110/-	110/-	3 12 6
110	109	110 1/2	109	109	109	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Rolls-Royce 11	23/6	23/6	2 2 0
Shipping																	
102	101	102 1/2	101	101	101	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Cunard Ord. 11	23/6	23/6	5 3 0
103	102	103 1/2	102	102	102	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Furness, Withy Ord. 11	23/3	23/3	5 3 3
104	103	104 1/2	103	103	103	22 1/2	17/10	d	22 1/2	17/10	%	a	%	P. & O. Def. 11	31/3	31/3	5 4 6
105	104	105 1/2	104	104	104	22 1/2	17/10	d	22 1/2	17/10	%	a	%	Royal Mail Lines Ord. 11	17/6	17/6	5 14 0
106	105	106 1/2	105	105	105	22 1/2	17/10	d	22 1/2	17/10	%	a	%	United Castle Ord. 11	10/3	10/3	Nil
Railways																	
14 1/2	9 1/2	10 1/2	9 1/2	9 1/2	9 1/2	11 1/2	12 1/2	d	11 1/2	12 1/2	%	a	%	B.A. Gt. Stn. Ord. Stk.	11 1/2	12 1/2	Nil
18 1/2	13 1/2	14 1/2	13 1/2	13 1/2	13 1/2	16 1/2	17 1/2	d	16 1/2	17 1/2	%	a	%	Can. Pac. Comm. \$25.	16 1/2	17 1/2	7 4 0
65 1/2	57 1/2	60 1/2	57 1/2	57 1/2	57 1/2	112 1/2	112	d	112 1/2	112	%	a	%	Great Western Ord. Stk.	112 1/2	112	4 9 3
120 1/2	111 1/2	121 1/2	111 1/2	111 1/2	111 1/2	62	62	d	62	62	%	a	%	G.W. 5% Cons. Pref. Stk.	61 1/2	62	6 9 3
64 1/2	59 1/2	65 1/2	59 1/2	59 1/2	59 1/2	31 1/2	33 1/2	d	31 1/2	33 1/2	%	a	%	L.N.E.R. 4% 1st Pref.	31 1/2	33 1/2	7 9 3
28 1/2	28 1/2	29 1/2	28 1/2	28 1/2	28 1/2	61 1/2	62 1/2	d	61 1/2	62 1/2	%	a	%	L.M.S. Ord. Pref. 1923	61 1/2	62 1/2	6 8 6
60 1/2	53 1/2	61 1/2	53 1/2	53 1/2	53 1/2	65 1/2	71	d	65 1/2	71	%	a	%	L.M.S. 4% Pref. 1923	65 1/2	71	6 18 6
72 1/2	50 1/2	73 1/2	50 1/2	50 1/2	50 1/2	24	25	d	24	25	%	a	%	London Transport 'C' Stk.	24	25	6 9 10
80 1/2	72 1/2	81 1/2	72 1/2	72 1/2	72 1/2	75	77	d	75	77	%	a	%	Southern Def. Stock	75	77	6 9 10
81 1/2	73 1/2	82 1/2	73 1/2	73 1/2	73 1/2	80 1/2	80 1/2	d	80 1/2	80 1/2	%	a	%	Southern 5% Pref. Ord.	80 1/2	80 1/2	6 9 10
Banks and Discount																	
38 1/2	36 1/2	37 1/2	36 1/2	36 1/2	36 1/2	37 1/2	37 1/2	d	37 1/2	37 1/2	%	a	%	Bank of Australia 15	37 1/2	37 1/2	4 7 6
42 1/2	38 1/2	39 1/2	38 1/2	38 1/2	38 1/2	40 1/2	41	d	40 1/2	41	%	a	%	Bank of England Stock	40 1/2	41	3 8 3
39 1/2	29 1/2	30 1/2	29 1/2	29 1/2	29 1/2	30 1/2	30 1/2	d	30 1/2	30 1/2	%	a	%	Bank of Montreal \$100	30 1/2	30 1/2	4 0 0
79 1/2	72 1/2	73 1/2	72 1/2	72 1/2	72 1/2	74 1/2	74 1/2	d	74 1/2	74 1/2	%	a	%	Bank of New Zealand 1	74 1/2	74 1/2	3 15 3
67 1/2	62 1/2	63 1/2	62 1/2	62 1/2	62 1/2	9 1/2	9 1/2	d	9 1/2	9 1/2	%	a	%	Barclays Bank 'B' 1	9 1/2	9 1/2	2 12 6
60 1/2	56 1/2	57 1/2	56 1/2	56 1/2	56 1/2	47 1/2	47 1/2	d	47 1/2	47 1/2	%	a	%	Chartered of India 15	47 1/2	47 1/2	4 2 0
60 1/2	56 1/2	57 1/2	56 1/2	56 1/2	56 1/2	59 1/2	59 1/2	d	59 1/2	59 1/2	%	a	%	Hongkong and S. 12 1/2	59 1/2	59 1/2	3 14 6
72 1/2	53 1/2	73 1/2	53 1/2	53 1/2	53 1/2	86 1/2	86 1/2	d	86 1/2	86 1/2	%	a	%	Joyds 'A' 15, 1 paid	86 1/2	86 1/2	4 1 9
80 1/2	72 1/2	81 1/2	72 1/2	72 1/2	72 1/2	61 1/2	61 1/2	d	61 1/2	61 1/2	%	a	%	Midland 11, fully paid	61 1/2	61 1/2	4 1 9
81 1/2	73 1/2	82 1/2	73 1/2	73 1/2	73 1/2	47 1/2	47 1/2	d	47 1/2	47 1/2	%	a	%	Nat. Dis. 12 1/2, fully paid	47 1/2	47 1/2	3 11 0
75 1/2	70 1/2	71 1/2	70 1/2	70 1/2	70 1/2	54 1/2	54 1/2	d	54 1/2	54 1/2	%	a	%	Nat. Prov. 15, 1 paid	54 1/2	54 1/2	3 14 6
46 1/2	42 1/2	43 1/2	42 1/2	42 1/2	42 1/2	89 1/2	89 1/2	d	89 1/2	89 1/2	%	a	%	Royal Bank of Scotland	89 1/2	89 1/2	4 1 9
91 1/2	85 1/2	92 1/2	85 1/2	85 1/2	85 1/2	25 1/2	25 1/2	d	25 1/2	25 1/2	%	a	%	Union Discount 11	25 1/2	25 1/2	3 11 3
26 1/2	23 1/2	24 1/2	23 1/2	23 1/2	23 1/2	13 1/2	13 1/2	d	13 1/2	13 1/2	%	a	%	Westminster 14 1/2 paid	13 1/2	13 1/2	4 0 0
Insurance																	
108 1/2	96 1/2	109 1/2	96 1/2	96 1/2	96 1/2	105 1/2	103 1/2	d	105 1/2	103 1/2	%	a	%	Alliance 11, fully paid	105 1/2	103 1/2	3 12 0
29 1/2	25 1/2	30 1/2	25 1/2	25 1/2	25 1/2	28 1/2	29 1/2	d	28 1/2	29 1/2	%	a	%	Atlas 15, 1 paid	28 1/2	29 1/2	5 6 6
13 1/2	12 1/2	14 1/2	12 1/2	12 1/2	12 1/2	13 1/2	13 1/2	d	13 1/2	13 1/2	%	a	%	Gen. Acct. 11, 12 1/2 paid	13 1/2	13 1/2	2 15 3
9 1/2	8 1/2	10 1/2	8 1/2	8 1/2	8 1/2	15 1/2	15 1/2	d	15 1/2	15 1/2	%	a	%	Law & Lancel 15, 13 paid			

(2nd)

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, August 14, 1943.

stances is it surprising that they interpret the Allies' hesitation over a blow in the West as a refusal to take any risk at all for a common and speedy victory?

Much that has been equivocal and disturbing in Russia's recent policy springs from this fundamental distrust. The apparent lack of co-ordination between the political strategy of East and West is a function of the Russians' fear that they have been manoeuvred by Britain and America into bearing more than their share of the suffering and the loss. The absence of Russian delegates from the Quebec Conference and the sharp tone with which the Tass agency denied that an invitation had been issued or that participation was contemplated reflect Russia's impatience with the military situation. A closer brotherhood in arms is almost certainly a condition of clearer political understanding. The Quebec Conference is unlikely to lay the foundations for a joint policy with Russia unless it proves possible to take a favourable military decision on opening a new and effective front.

That is the first task. The political decisions follow from it. Allied policy towards the Badoglio Government must depend to a large extent on the direction taken by the next offensive. The recognition of the French National Committee becomes a matter of much greater urgency if France is soon to be drawn into the fighting zone. The policy of the three Great Powers towards the various Allied Governments has still to be clarified. It is the wish of most of these Governments to enter Europe with the occupying troops. If the Allies accept the thesis that they should at once be established as *de facto* if not *de jure* governments, it is vital that the three Great Powers should recognise the same authority. This is not certain in the case of Poland and possibly of Yugoslavia. It is important, too, that general agreement should be reached on the procedures necessary for securing the people's consent to their restored governments. King George of Greece has promised a general election within six months. It would be wise if safeguards such as these were generally registered at once.

Whatever local authorities are recognised by the

Allies, agreement on the practical working of UNRAA—in such matters as the appointment of officials or liaison between the Powers—needs to be speeded up to cover all liberated territories. And, for enemy territory, spheres of occupation, the association of Russia with Amgot, and decisions on the establishment or recognition of national authorities cannot be delayed much longer if a converging invasion of Europe is planned for the autumn. The equivocal status of the Russian-sponsored German National Committee is a reminder that these problems will not, if they are left alone, solve themselves. Joint political understanding must be sought if the actual methods of occupation are not to frustrate the achievement later of a genuine settlement.

The fact that both Mr Eden and Mr Cordell Hull are attending the Quebec Conference is a guarantee that the political implications of the next military phase are not being neglected. Provided the British and the Americans reach clear military decisions and can speak with one voice on their political strategy, it would obviously be a great reinforcement of the common effort if one or two of the leading statesmen could, as has been suggested, go on from Quebec to Moscow and draw the other great partner into a joint military and political strategy.

Quebec marks a turning point in the collaboration of the United Nations. It is perhaps the last occasion on which the compelling need to defeat Germany will hold together all their potentially divergent aims and policies. If in the course of the next weeks, a new foundation of interests and loyalties cannot be laid to replace the old bond of common fear, the outlook for order and security is not reassuring. That Mr Roosevelt, Mr Churchill and Marshal Stalin have shown themselves to be military leaders of superb quality is also not in doubt. But the task ahead of them now is far more difficult and arduous than any they have achieved so far. The ordinary people of this world, whose future depends upon their decisions, can only hope that they will bring to their making the necessary wisdom, tolerance, judgment and mutual trust.

Commonwealth Counsels

FROM both of the senior Dominions of the Commonwealth attention has been directed in the last few days to the relations of the British nations among themselves. The first few days of Mr Churchill's stay in Quebec were devoted—with perhaps a touch of deliberateness—to a series of Anglo-Canadian conferences as preparation for the British-American discussions to follow. The presence of Sir John Anderson as well as of the Prime Minister made it possible to hold a joint session of the United Kingdom War Cabinet with the War Committee of the Canadian Cabinet. These indications have given great pleasure in Canada, and it is right that it should be so. They have been taken not only as a symbolic acknowledgment of Canada's very great part in the war but also as a graceful attempt to repair an omission in the Prime Minister's previous transatlantic relations. In Australia, Mr Curtin's election speeches have made several references to Australia's relations with the United Kingdom, and one of them has put forward proposals for closer association. Mr Curtin is quoted as having said in a speech at Adelaide that an imperial consultative body would emerge from war-time international relationships. Some imperial authority, he said, had to be evolved so that the British Commonwealth of Nations would have, if not an executive body, at least a standing consultative body. Thus in Australia an authoritative voice is raised for the creation of organs of association, while Canada takes pleasure from the convening on her soil of just such an instrument, none the less powerful for being impromptu.

In all the essentials, the war has strengthened the ties between the British nations. The spontaneity with which these communities, remote from the centre of disturbance, sprang to arms in 1939 and have stood together ever

since demonstrates the reality of their association and gives the most emphatic contradiction to the separatist prophecies of so many of their own intellectuals in the years between the wars. The exception to the rule—Eire—proves no less conclusively that the unity of the others is unforced. This is the main issue, and it should never be forgotten. But there is also some tincture of dissatisfaction with the details of relationship between the United Kingdom and the Dominions. In Australia in 1941 these complaints were vocal, but two years of further reflection and of further experience have brought a better understanding on both sides of the necessities that underlie grand strategy. Australia no longer believes she was deserted or neglected; but there remains a desire for means by which the understanding could be reached before the crisis and not after.

Canada has officially voiced no complaints. But in ordinary conversation in Canada there is a deep undertone of dissatisfaction. Canada is conscious that in this war she has come to power in her own right. She has sent large armies abroad; she maintains a navy and an air force; in munitions she is the fourth largest producer of the United Nations, as an exporter of food the first or second. Not merely as the senior of the British Dominions, but as the largest of the smaller United Nations, she knows that she is entitled to a voice in the councils of the alliance. Yet she does not feel that she is given her place. Mr Churchill's portrait is to be seen the length of the Dominion—far more frequently than in London—and his character and attainments are nowhere more highly esteemed. But Canadians are hurt by the way in which (they think) he repeatedly passes them by to concert with the American President plans by which Canada is expected to be bound. Mr Churchill's action

two years ago in signing the Atlantic Charter, in North American waters, with the head of what was then a non-belligerent nation, without consultation with Ottawa, gave great offence. So did the establishment of British-American Combined Boards, without Canadian knowledge. So did the proposal to create a United Nations Relief and Rehabilitation Administration, of which Canada—who will have to provide as much relief as any other country—was not to be admitted to the inner ring. It is as well that Englishmen who know that neither slight nor disrespect nor lack of appreciation was intended should know that harm was done. It in no way affected Canada's place in the Commonwealth; every item on the list has been settled with good will on both sides; but there remains a certain residue of Canadian watchfulness lest her claims be further disregarded.

With the point of view of the Dominions there is probably far more sympathy in London than the Dominions themselves know. Mr Churchill's methods are very direct—it is one of the facets of his qualities—and it may be admitted that there has perhaps been an insufficiency of diplomacy. What it would be wholly wrong to admit is that there is any unwillingness anywhere in the United Kingdom to treat with the Dominions on the basis of the utmost frankness and the fullest equality. If, in respect of the Dominions, the colonial mentality lingers anywhere, it is certainly not in London or among the British public. One of the tendencies which causes alarm in Ottawa and Canberra is that of discussing the post-war settlement in terms of the three—or four—Great Powers, and the Dominions are apt to deduce from it a forgetfulness on the part of the United Kingdom of the rights and values of small nations, including small British nations. But this is a misapprehension. There are, it is true, many reasons why the Great Powers will be compelled after this war to assume an even greater share of responsibility, and it will be a gain if the post-war arrangements make it clear where the responsibility lies. But the more fully the British member of the Concert of Great Powers represents the whole Commonwealth, rather than only the United Kingdom, the better the people of Great Britain will be pleased. More than ever before, they realise the limits of their own autonomous strength and wish to be members of a wider unity.

To this the Dominions might well reply that they know the advantages of unity, but that it must be based on something more than formal equality of status. That they have had for a decade in law and for longer in fact. But (so they might continue to argue) what has happened has been "consultation," which is something less than the formulation of policy as between equals. The United Kingdom Government evolves a policy through its own agencies and, when it is in finished shape, invites the concurrence of the Dominion Governments with it. This may or may not be a caricature—no one without access to the documents can tell—but it is the complaint that is

often made, and the basis of the claim that something is still lacking to give full actual meaning to the phrases of the Statute of Westminster. The Dominions wish to play as large a part as the United Kingdom itself in the formulation of policy from first draft to finished document.

This claim, too, would be very widely accepted in Great Britain. But before it can be embodied in working practice, two provisos must be made. First, the formulation of policy cannot be done by cable. It requires personal contact and, sometimes, the utmost dispatch. As Mr Curtin said at Adelaide, "Unless a decision is made quickly, delays will produce inertia or complete inaction, and when the decisions are ultimately reached, they will be too late to be fully effective." The fullest co-operation in the formulation of policy requires that there be an imperial body in fairly constant session. It need not always sit in London, but London is probably a more convenient centre than most. If the United Kingdom has acted in the name of the Commonwealth without proper consultation, it is as much because of the absence of such a body as through any desire to ignore the Dominions' views. Constant session raises, of course, the most difficult issues; but it is obvious from the experience of the war that statesmen cannot in future expect to stay at home. If the British Cabinet can post one of its members in Washington, it should not be impossible for a Dominion Cabinet to post one of its members in London.

The second proviso is (to adapt a famous phrase) that there should be no representation without taxation. This is not, of course, meant in the literal financial sense; there is no suggestion of financial contributions in peacetime from any one member of the Commonwealth to any other, and the Dominions can best bear their share of the common burden of defence by raising and equipping their own forces. But it does mean that a full share in the formulation of policy should be taken positively as well as negatively. It is not enough for the Dominions to state their wishes at an early stage; they should be ready to assume responsibility for the finished policy and to shoulder commitments in respect of it. This is not always fully realised. Some of the Australian demands for an Imperial War Cabinet in 1941, for example, seemed to envisage a body that could control the actions of the United Kingdom Government but without committing Australia. No one, of course, would suggest that any country should be committed against its will. Irish neutrality is a proof of the right to contract out. But if a Commonwealth policy—Commonwealth in origin and Commonwealth in execution—is to become a positive reality, all the British nations must be ready to take commitments in common council. With anything less, the United Kingdom will be compelled, whatever her wish to seek and take advice, to act on her own with such *post facto* assent as the Dominions will give.



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

These are the considerations that will have to be borne in mind in discussing the machinery of association. Anything in the nature of a federation can—at least for the present—be dismissed from consideration, since few, if any, of the British countries would accept it. Perhaps something in the nature of a standing Imperial Conference would best meet the needs of the case, and it would certainly be more in accordance with British tradition to adapt an existing institution than to create a new one. Whatever the exact form it takes, it should carry the full authority of the constituent governments, so that the British representative in any international gathering (who need not always be drawn from the United Kingdom alone), having received his instructions from the Imperial Conference, can speak, and be known to speak, with the voice of the whole Commonwealth. Britain is a natural member of the Concert of Great Powers; but "Britain"

should mean the Commonwealth of Nations, not the United Kingdom by itself.

The Dominions, in asking for the fullest equality, are knocking at an open door. There is no desire in the United Kingdom to infringe their sovereignty or to degrade their status. If sovereignty must be abridged, the necessity arises from the very fact of association, not from London's desire to command. And if London must on many occasions take the initiative, it is only because the United Kingdom is still the largest and the strongest of the Dominions of the Crown. Any institutions which emphasise the organic character of the Commonwealth while widening the opportunities of the Dominions for initiative and responsibility will be welcomed in this country. As for the exact form of the institutions, provided it meets the inescapable necessities of the case, the Dominions can write their own ticket.

The Aircraft Industry

THE manufacture of aircraft is to-day Britain's biggest industry. Enormous though its current output is, its immediate task is to speed up still further the delivery of aircraft to the battlefronts. A report of the Select Committee on National Expenditure contains a number of valuable suggestions—discussed on page 231—designed to extract the "last plane" from the industry. But the time may not be far distant when, with victory, the industry will be faced with a sharp decline in orders and when it will have to adjust its manufacturing capacity to the smaller peacetime demand. In view of the disintegration of the industry after the last war it is not too early to prepare plans for its orderly contraction. The two most important problems that will have to be considered are the probable magnitude of the peacetime demand for aircraft and the shedding of the industry's surplus capacity after the war without detriment to its enterprise and efficiency. The maintenance of Great Britain's sea power involves a large and efficient navy and mercantile marine, backed by a large and efficient shipbuilding industry. Similarly, the maintenance of its air power requires a substantial fleet of the best military and civilian aircraft, backed by a substantial and efficient manufacturing industry.

It is impossible, at this stage, to forecast the total demand for aircraft after the war with any degree of precision; but it is not wholly impossible to set down the sort of considerations which must enter into any realistic calculations. If the maintenance of a strong and efficient air force and the creation of a strong and efficient air transport system are accepted as the basis of British policy, there can be no doubt that the demand for military aircraft will be larger than it was before the beginning of rearmament in 1936 and that the demand for civilian aircraft will be larger than ever before. But to say this does not shed very much light on how the total post-war demand is likely to compare with the present rate of output.

Nothing has been revealed of the Government's idea of the appropriate size of the post-war RAF. But, by way of illustration, it may be supposed that, with all its world-wide commitments and with the generally increased size of air forces that will result from the war, the permanent peacetime first-line operational strength of the various branches of the RAF may be as much as 2,500 aircraft. Let it be assumed, further, that the maintenance of a first-line strength of this magnitude involves the creation of a reserve, inclusive of trainers, of five aircraft for each first-line plane. On this basis the total strength of the air force would have to be maintained at 15,000 units. But in aircraft quality is even more important than numbers, and technical progress is likely to remain rapid—though, probably, less rapid than in war; a substantial proportion of the total military fleet will have to be replaced every year. Moreover, the rate of wastage—though much smaller than in war—is considerable even in times of peace. It may

therefore be not unreasonable to assume that at least one-fifth of the total air fleet will have to be replaced every year if its quality and strength are to be maintained—this would mean that the average age of the aircraft of the RAF at any time would be 30 months. The peacetime demand for military aircraft would then be at the rate of about 3,000 units a year, comprising all types of operational, military transport and training aircraft. This would be equivalent to rather more than double the output in 1935, when it was probably between 1,200 and 1,500 units. No figures have been released of the present output, but a rate of 3,000 a year could not, at the most, be more than one-eighth of the industry's present capacity.

There are equally few data on which to base any accurate estimate of the future demand for civilian aircraft. While it is safe to forecast a great expansion in civil aviation after the war, it is easy to exaggerate the increase in the demand for aircraft. So far as the regular transport services are concerned, the total number of aircraft used before the war on the internal lines in the United States—the most highly developed network—was fewer than 500, and the number employed in the whole world was probably only about 1,200. Even if the capacity of the regular air transport lines is multiplied fivefold a few years after the war, and the whole fleet of 6,000 air liners is replaced every five years, the world's annual demand would amount only to 1,200 air liners, of which British manufacturers might reasonably expect to receive orders for about 300 a year. True, there is also scope for air taxis and for a substantial expansion in private flying. But these activities require mostly small aircraft costing a tenth or a twentieth as much as a big air liner. Most of the 1,666 aircraft registered in this country before the war fell into this category. If their number were to increase to, say, 4,500 after the war, the annual replacement demand would hardly be more than about 500, since this type of plane has an average life of more than five years. True, there may also develop a considerable export business in small aircraft (and in military aircraft), but it might be wise to think in terms of hundreds rather than thousands, during the years immediately following the war; perhaps 300 to 500 units would be a reasonable expectation under this heading. On all these assumptions, the annual requirements of civilian aircraft, both large and small, would be of the order of 1,100 to 1,300 units a year, against an output of, perhaps, 300 to 600 in 1935.

Counted in bare numbers, without any differentiation for size, the combined annual demand for military and civilian aircraft thus adds up to rather more than 4,000 units a year. In so far as this figure deserves the name of an estimate, it is an estimate of the upper limit of the range of probability, since all the assumptions made in arriving at it have been uniformly generous. This may explain why its proportion to the probable present output is rather higher than the ratio of one-tenth mentioned

by Sir Stafford Cripps in a recent speech. But the figure will serve to show that, even on the most optimistic assumptions, the peacetime requirement of aircraft will be only a very small fraction of the present output. There will, it is true, be a transitional period during which civil aviation will be building up its stock of aircraft and the demand may then be higher than in later years when it goes on to a replacement basis. But this period will also be one when the RAF will have an enormous stock of modern aircraft and will be unlikely to be placing orders on the permanent scale.

Whatever the precise extent of the cut in output, it will have to be very substantial, involving a major readjustment of the industry's capacity. How is this to be achieved without impairing the efficiency and enterprise of the aircraft industry? The process by which the industry was expanded seems to point the way to a partial solution of the problem. Under the "shadow" factory scheme, devised before the war, the Government constructed at its own expense large numbers of factories, managed for a fee by aircraft, automobile and engineering firms. When war came, the automobile and engineering firms taking part in the scheme were able to add part of their own manufacturing facilities to those of the aircraft factories; productive capacity was subsequently enlarged still further by sub-contracting small components to numerous minor establishments.

After the war, this process will be reversed automatically—but only partially—by the resumption of the production of motor-cars and peacetime engineering products. But the degree of automatic deflation will hardly go far enough. The firms whose main peacetime business is the construction of aircraft—what may be called the established industry—have added to their own capacity; and there will also still remain the large number of plants built by the Government. There will hardly be enough orders to employ all this capacity. Mr Thomas O. M. Sopwith, chairman of the Hawker Siddeley Aircraft Company, Ltd.—the biggest aircraft manufacturing combine in Great Britain—suggested in his statement to shareholders in July that

with the probable cessation of work in shadow factories and the normal recession of labour to pre-war occupations, the established industry will be on a stable basis.

The implication of this statement is that the capacity of the established industry will be of the right size to meet post-war demand, and that the shadow factories will be the measure of the excess capacity that will need to be eliminated. Since Mr Sopwith takes by no means a

pessimistic view about the post-war demand for aircraft, the problem will be that of eliminating, not necessarily all the Government-owned shadow factories—some of them may be more efficient than some of the plants owned by the professional industry—but capacity equivalent to that of these plants.

The fate of the shadow factories raises interesting and difficult questions. In theory, there is a case for maintaining them in being. If it is the case, and is likely to remain so, that the requirement of aircraft in time of war is from eight to twelve times the peacetime output, the retention of a number of shadow factories would seem to be an obvious insurance device. But it would be a very difficult matter to maintain them in a state of efficiency during long years when, by definition, they would have no work to do. If the shadow factories are to be scrapped, it would be sensible to allow the established industry—including any newcomers whose efficiency has been proved during the war and who wish to remain in the business—to buy such plant as they may require; the remainder would go to swell the general problem of surplus plant and machine tools, which, as an article on page 243 shows, is likely to be another headache. A policy for permanent shadow factories, if practicable, would serve the double purpose of providing insurance and of relieving the pressure on the machine tool market. But it is most unlikely that all, or even most, of the shadow factories can be treated in this way.

The future of the established industry will also require careful consideration. There will be those who will advocate nationalisation. On a balance of the facts known to the outsider, it would seem to be a mistake to bring the whole industry under Government control and ownership though there may well be a strong case for one or more Government factories, on the analogy of Woolwich Arsenal and the Royal Dockyards. The manufacture of aircraft calls for a high degree of initiative and enthusiasm, and for enterprise of the type that gave Great Britain the famous types that are winning the war. If, as seems most suitable, the bulk of the industry remains in private hands, there is no way of avoiding a "list of approved contractors," for standards of construction and efficiency and continuity of design are essential. But it will be equally necessary to ensure that the list of approved contractors does not become the basis of a restrictive "Ring." The Government has a right and a duty to be most fully informed of all that goes on in the industry, and, in particular, both to remove inefficient firms from the list and to add efficient newcomers.

The Neutrals' Part

ON August 5 the Swedish Government announced its intention to abrogate the transit agreement which, since June, 1940, has given the Germans the right to transport men and war materials to and from Norway over Swedish railways. It is too soon to say whether the other European neutrals will similarly stiffen their attitude towards the Nazis; but in any case Sweden's action clearly marks a new phase in the history of the neutrals during this war.

For the last three years, neutral policy—in Sweden, Switzerland, Turkey, Portugal and Spain—has, broadly speaking, been determined by the Axis. If they were not invaded and enslaved, it was because the aggression was not worth Germany's while. They lived under the threat of invasion—Germany's chief sanction in dealing with them. Military pressure was backed by economic pressure. With the conquest of Europe, all overseas trade which the Germans did not approve was cut off for Switzerland and for Sweden. The maritime neutrals lacked shipping and exchange. At the same time, there

were some raw materials—coal in particular—which they needed to keep their economy functioning at all. In all these circumstances, it is not surprising that they increased their trade with Germany and supplied vital sectors of the Axis war effort. Sweden has provided iron ore, wood pulp and machinery, Turkey chrome, Portugal urgently needed wolfram, Spain iron ore and pyrites, Switzerland precision tools and armaments. In some cases, the Germans have even been able to obtain their supplies on credit. Turkey, enjoying a more advantageous strategic position, stood out for direct barter.

The Allies could not prevent this trading with domestic resources. They could and did prevent the shipment of goods to Germany from abroad by way of the neutrals. They were able, too, through the British Statutory List and the United States Proclaimed List, to affect the policy of individual neutral firms and traders. These Black Lists covered enemy-controlled firms and neutral firms known to be trading with the enemy. From the beginning many of these latter firms hesitated to become declared enemies

of Britain and the United States. The hesitations have grown with every worsening of the Axis position, especially since inclusion on the Black List began in some cases to involve a great deal of personal unpopularity. As Mr. Dingle Foot pointed out in the Commons,

This weapon [the Black List] was invented simply as a weapon of economic warfare, but as the war has persisted, it has tended to become a weapon of political warfare as well.

The year 1943 has, of course, revolutionised the position of the neutrals. The military threat overhanging them has been removed. German divisions have been flung back and decimated in Russia and Sicily. All Italy's divisions are likely to be withdrawn from police work in the Balkans. Every day the tasks falling to the unaided *Wehrmacht* grow; every day its resources diminish. In these circumstances, neither the divisions nor the machine power exist to overrun Sweden, Switzerland, Turkey or the Iberian Peninsula. Sweden, Switzerland and Turkey are defended by tough, well-trained armies. Sweden has the extra protection of sitting on the far side of an excellent tank ditch, Switzerland of controlling the main tunnels through which Germany must still try to feed the Italian front. Germany's extremely mild reaction to the Swedish cancellation of the transit arrangement gave the measure of its military impotence.

While the menace of Germany to the neutrals has shrunk, their relative importance to the German war effort has grown considerably. After four years of all-out production, cut off from all outside sources of supply, Germany's war economy, as an article on page 241 describes in detail, is suffering from pernicious anaemia. Bombing and blockade together have drained away its vitality, and neutral supplies are becoming its chief means of recuperation. Take the particular instance of iron ore. The Allied winter campaigns closed down the supplies from North Africa. Bombs and torpedoes have played havoc with the iron ore ships from Sweden both in port and in transit. The bombing of the Ruhr has reduced the output of steel there very greatly. Low grade German and Lorraine ores use up an uneconomic amount of urgently needed coal and coke. Sweden's iron ore, with its high iron content, is now Germany's chief

hope of keeping up its iron and steel production. The position is much the same with chrome and wolfram. Reserves are used up. *Ersatz* products are too costly in terms of coal and wood and manpower. The urgency of Germany's need for chrome is proved by the extremely modern military equipment it is willing to send the Turks in exchange for their ore. Finally, the fact that the Swedish and Turkish and Portuguese miners are at work digging the ore, and highly skilled Swiss technicians are turning out the machine tools and precision instruments, provides Germany with a large labour force which it does not have to feed or shelter and which is not subject to bombing. In this sense, each heavy Allied raid increases the importance of the neutrals' output to the German war effort.

This double trend among the neutrals—towards greater security from the German war machine and great significance for the German war effort—will increase by a geometrical progression as the fortunes of the Axis wane. The British and American Governments—and their peoples—have always sympathised with the delicate position in which Germany's 1940 victories left the neutrals. They have understood how galling it must be for friends of freedom like Sweden and Switzerland and declared Allies of this country like Portugal and Turkey, to be compelled to take no active part in the common struggle for freedom and, indeed, by their action to impede the victory which is as much to their advantage as to the Allies. Now, happily, that period has come to an end, and the neutrals have the opportunity of showing where their genuine interests and sympathies lie. Sweden has taken the first step along the road of this new policy. It is surely not too much to hope that the other governments will follow suit. To quote Mr Foot again:

We have no doubt as to where these people's sympathies lie, but at this stage in a world war I think it ought to be said that sympathy is not enough. It surely is not unreasonable to expect that manufacturers and merchants in neutral countries, and, I would add, the Governments of those countries, should give practical expression to their sympathies by reducing as far as they possibly can the contributions which they make to the enemy's war effort.

NOTES OF THE WEEK

Italian Deadlock

Another week has passed without any radical change in Italy. The situation is at a deadlock, balanced between the contending and incompatible interests of the Italian people, the Italian Government and the Allied and German High Commands. The Italian people want peace. Although evidence of the popular temper is seeping out with difficulty through the tightened censorship, there seems little doubt that all through Italy demonstrations for peace have been widespread and angry. In the North, they are accompanied by threats of a general strike. In the cities hard hit by the renewal of Allied bombing, workers have left their factories to take refuge in the countryside, and some reports reaching Switzerland from Milan suggest that the city is almost at a standstill. The longer the Badoglio Government hesitates, the stronger the reaction against his Government and, indeed, against the Royal House. The *Lavoro Italiano* reminded the government that the Italian people were not interested in a war waged "for the victory of Fascist ideals" and warned Badoglio that he would soon have to choose between peace and revolution. Apparently the wholesale pulling down of the façade of Fascism—which is still being carried vigorously on—leaves the people indifferent. They want peace. They thought Badoglio would secure peace. No amount of liberal window-dressing compensates them for bombs and casualty lists. It is harder to say what the Badoglio Government wants. They know that the war is lost and they want to get out of it—but on terms. If the reports are to be believed, the Foreign Minister, Guariglia, and Ribbentrop met at Treviso recently, and the Germans refused the Italian request that they should be allowed

to abandon the fight. It follows that Badoglio still cannot offer any terms which the Allies would accept. Their one interest in Italy is to secure a better position for attacking the Germans, the Germans' one interest is to prevent it. The terms—such as neutrality—offered so far by the Italians represent the German, not the Allied, interest. Unconditional surrender would naturally imply an undertaking from the Italian Government not to impede in any way the Allied conduct of the war either in or around Italy. The Germans, with whom Badoglio still collaborates—rather in the manner of Finland—will not permit this and have probably threatened reprisals. Their position is perhaps strengthened by Badoglio's unwillingness as a soldier to abandon a declared ally. In these circumstances, it is not very likely that the Badoglio Government will capitulate. If the Allied High Command decides that an invasion of the Italian mainland is the next urgent military task, it will be carried out, as the Sicilian operation was carried out, with some resistance from the Axis armies and a warm welcome from the Italian people. The uncertain factor in this complicated political equation—the factor which is most likely to end the deadlock—is the mood of the Italians. An Allied invasion of the mainland or intensified bombing might be the signal for a real upsurge of public discontent. If the analogy of Germany or Russia at the end of the last war is exact, it will prove impossible to hold the mass of the people in an unpopular war which they have already lost, and it is probable that a government emerging from a popular upheaval would be ready to make an unconditional surrender, and even to co-operate with the Allied armies.

Open City?

Until the Allies know what steps the Badoglio government intends to take to make Rome an open city, they cannot accept the simple Italian declaration that Rome is, in fact, "open." Their decision to bomb or not to bomb will therefore continue to depend on their estimate of the military importance of attacking the capital. International law knows nothing about open cities. The only relevant ruling is Article 25 of the Hague Convention of 1907, where it is laid down that there must be no bombardment of places "that are not defended." Defences are defined liberally. Arsenal, war factories, barracks, military headquarters, railways used for military purposes are all included under the general term defences. Indeed, the German War Book denies the relevance of Article 25 on the grounds that there cannot, under modern conditions, be such a thing as an undefended town. To dismantle Rome's defences would mean removing the Government and the Ministries, closing all the arsenals, war factories, and virtually cutting the railway communications between north and south Italy. Is this Badoglio's intention? It would seem a curious prelude to his government's declared intention of "resisting to the end." The simplest and surest way of making Rome an open city would be an Italian capitulation. It also has the advantage of being the method preferred by the Italian people.

An Industrial Achievement

In its tenth report of the 1942-43 session, published this week, the Select Committee on National Expenditure recorded that the production of aircraft was now substantially balanced, and that, with the exception of spares, there was at present no single field of production where a serious bottleneck threatened to retard output. Behind this brief tribute lies the story of a remarkable industrial achievement, unsurpassed by any other munition industry in this country. The basis of the industry's expansion into the biggest industry of Great Britain was laid in 1936-39 by Lord Swinton and Sir Kingsley Wood as successive Secretaries of State for Air. They foresaw that the small professional industry could provide the designing and technical skill but not the enormous manufacturing capacity needed in case of war, and they devised schemes for enlisting the assistance of automobile and engineering firms in the management of factories constructed by the Government. In other words, the aircraft industry formed the nucleus around which were grouped part of the automobile and engineering industries which provided the management for many Government factories and, when war broke out, added part of their own manufacturing facilities. As it exists to-day, the industry consists of a number of groups, each specialising in the production of one type of aircraft, and comprising one of the professional designing firms and a number of automobile and engineering concerns, with a long string of small sub-contractors. Difficulties of organisation, management, labour and technique have been legion. The task of welding a heterogeneous collection of units into an efficient single industry has not been easy. It had to be carried out rapidly in difficult conditions, especially during the period of frequent air raids in 1940-41, which necessitated the geographical dispersal of production. Managements, not surprisingly, were sometimes unequal to the task, and those of some concerns had to be strengthened by the Ministry of Aircraft Production in one way or another. The majority of the industry's labour force had to be specially trained; no less than two-fifths of it consists of women, many of whom had never been inside a factory before the war. Again, the maintenance of the lead in design involved continuous major and minor charges, and a nice balance between quality and quantity. True, there have been many mistakes and errors of judgment; a quota of those was unavoidable. But it would be ungenerous to overlook the facts that the industry has provided Great Britain not only with the best aircraft in the world, but also with large numbers of them, when they were badly needed.

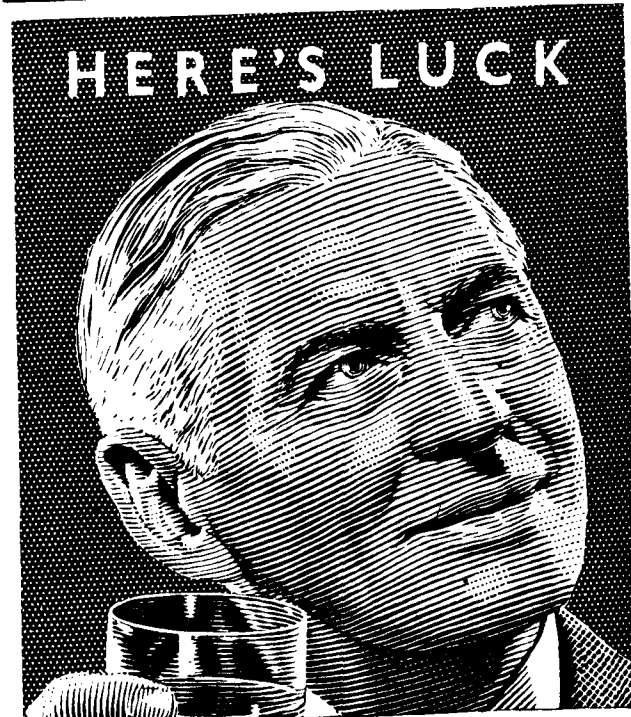
Still More Aircraft Needed

Great though the industry's achievement has been and enormous though the output of manufacturers now is in America, its task has by no means been accomplished. On the contrary, the successful storming of the enemy's defences requires a further speed-up in the supply of

aircraft during coming months and a still greater effort from the aircraft industry. It is to this problem that the Select Committee addresses itself. In its view the industry has reached a stage when a further increase in output "must be sought mainly by all-round improvement in efficiency." In so far as the relations between the Ministry of Aircraft Production and the industry are concerned, the Committee stresses the advantages of collective consultation on the allocation of orders in the event of important changes of programmes. The technical efficiency of some firms could be increased by bringing together more closely the design and development department, and the department responsible for planning and methods of production. Facilities should be provided for the training of scientific and technical personnel as well as for training of managerial staff of all grades in order to relieve the present shortage. The system of sub-contracting, which plays such an important part in the industry—an average of some 42 per cent of the work on an aircraft is let out—needs overhaul; the disadvantages arising from the haphazard distribution of many small orders should be eliminated; and the process of reducing the number of sub-contractors engaged on the same component and the number of different components made by the same sub-contractor should be expedited and extended. Finally, the Committee deplores the enormous labour turnover in the industry and the consequent loss in output; during the seven weeks ended May 14th the main airframe and aero-engine factories had to replace workers at the annual rate of one-third of the total employed. In its view, better personnel management might assist in reducing excessive turnover. Although the majority of the Committee's recommendations are of a minor order, taken together they suggest that there is still scope for considerable improvement.

Shipping Progress Report

The latest report on the progress of anti-U-boat warfare issued jointly by President Roosevelt and Mr Churchill last week-end shows how completely, at any rate during the past three months, the hopes the Nazis had based on their U-boat war have been dashed. The landing in Sicily in-



White Horse is a tonic when you are jaded in body or mind, and if you are in lighter mood it puts a finer point on your enjoyment.

WHITE HORSE

MAXIMUM PRICES: Bottles 25/9;—Half-Bottles 13/6

volved no less than 2,500 ships; losses amounted to only 80,000 tons, and the submarines that attempted to interfere suffered heavy losses. The total number of submarines sunk during the past three months is 90, an average of nearly one a day. This rate of loss, which reveals the success of the measures taken to combat the U-boats, must be most alarming to the enemy and to his crews. Another yardstick of the success of the protective measures is the number of ships sunk per U-boat in operation. During the first six months of 1943, the average number of ships sunk per submarine was only half that in the preceding six months, and only a quarter of the figure for the first six months of last year. The diminished toll of the submarine has not merely ensured safe passage to an overwhelming proportion of the ships of the United Nations, it has enabled them to put into commission a volume of tonnage greatly in excess of losses; so far this year the volume of merchant vessels completed exceeded losses from all causes by 3,000,000 (presumably deadweight) tons. The progress report issued by the President and the Prime Minister is encouraging. But the battle of the high seas can only be won finally and decisively by a further intensification of the anti-submarine campaign.

Slow Pacific Progress

Late in June, Allied forces in the South-West Pacific began a double offensive in New Georgia and New Guinea. The aim was to secure control of the Japanese bases at Salamaua, Lae and Munda, as part of a converging movement on Rabaul, the most important Japanese position in this area. At first, the advance was rapid. American troops got within shelling distance of Munda airfield, while the American and Australian troops in New Guinea captured Mubo, and brought the Salamaua airfield under fire. Five weeks of difficult fighting have followed since. The Japanese dug themselves in, and brought up reinforcements. The attack in New Guinea came to a standstill, and Munda in New Georgia did not fall until August 6th, and then after desperate fighting, in which the Japanese contested every yard of ground. Now they have retreated to Bairoka. This new position was thought at first to be a relatively easy objective, but enemy reinforcements have arrived, and Allied troops are struggling in vile country—thick jungles, dense thickets, gullies—against carefully entrenched Japanese positions. Clearly the scale of the original operation has had to be modified. The compensating factor for the slowness and costliness of the land fighting is the scale of Japan's losses in the air and on sea. If the reports are accurate—both sides naturally give widely divergent figures—the Allies are able to inflict on the Japanese about three times the damage done to them, and this fact is significant not simply for the fighting in the Solomons area but for the whole co-prosperity sphere, which Japan has to patrol and supply. Nevertheless, it can be argued that the latest Pacific offensive, like its predecessors, proves that slow and costly island hopping is not the ideal method of counter-attack.

Algiers and the Purge

Now that the major decisions have been taken on the division of powers between General de Gaulle and General Giraud, there is an atmosphere of *détente* at Algiers. It should be possible now to overcome the division based on the two Generals and to see emerge a new solidarity firmly grounded in the civilian elements of the Committee which, after all, include men of the ability and personality of M. Massigli and M. Monnet. Their position would naturally be strengthened by Allied recognition of the Committee, but it

seems likely that this question will be settled at Quebec. In spite of this improving atmosphere, one or two points must still give anxiety to those who hope for freedom and reconciliation in France. One of the most urgent yet most difficult problems facing the French State after the war will be the question of allotting responsibility for the 1940 *débâcle*. The collapse was so widespread and the degrees of implication—from Laval down to the smallest civil servant—so finely shaded that it will be impossible to give adequate definition of guilt or to punish all the guilty. There are some obvious criminals—Pucheu, who has been arrested in North Africa, is a clear example. There are a large group of people in every walk of life who, whether they were *attentiste* or genuine collaborationist, are sufficiently under suspicion for their removal to be a matter of public conscience. But should the purge be allowed to go much further? If it is permitted to develop in an atmosphere of *fronde* and personal vendetta, will not the French people simply perpetuate to another generation the bitterness of 1789, of the Republic of Dreyfus, of the Combes Laws which, in a sort of accumulated strength, destroyed French unity in 1940? A committee of *épuration* has been set up in Algiers. Its task is to remove from office all who have helped the enemy, hindered the Allies or betrayed the Republic. Everyone, from Ministers and deputies to newspapermen, comes within its terms of reference. This step gives a double cause for alarm. The area of responsibility is established on a dangerously wide basis. And the setting up of the Committee at all at this stage suggests an almost unhealthy preoccupation with opponents and scapegoats. Has the purge really so high a priority? Could it not have waited until France was free?

Unrest in Norway

The shadow of Quebec and of the Allies' military decisions falls darkly across the Norwegian scene. The Germans obviously think an Allied invasion is possible, and extensive preparations are being made throughout the country. Fresh German military material is arriving at key points along the coast, and there have been reports of reinforcements consisting of crack German troops. This week it was announced from Oslo that "Norway is in a state of war, owing to the danger of Bolshevik or Allied attacks," and a new law was announced incorporating the Norwegian police, Quisling's bodyguard, the Norwegian *Waffen SS* and the *Hird*, Quisling's SA, in the armed forces of the Reich. In these circumstances, it is not surprising that the Norwegian people are growing more violent and restive. In particular, opposition to the mobilisation of Norwegian workers for the Reich has shown a marked increase. Obviously the citizens are determined not to be sent away from their country in what may be its hour of liberation. A new registration of Norwegian men and women was announced at the beginning of June. Every sort of difficulty has been put in the way of the authorities. All the records were burnt at Oslo, and in many other centres the labour exchanges have been raided and wrecked. Hundreds of Norwegians are crossing the frontier into Sweden, and in all the big centres every kind of delaying tactic is being used to postpone mobilisation and departure. In Oslo this week the Germans have had to shoot the Chief of the Norwegian Civil Police for refusing to send his men to coerce a group of women who had refused to obey their mobilisation orders. Since this week has also seen the incorporation of the Norwegian Police in the German armed forces, it must be assumed that Gunnar Eilifsen was shot *pour encourager les autres*.

The UPW and the TUC

On Thursday, the General Council of the TUC, the Executive Committee of the Labour party and the Executive Committee of the Parliamentary Labour party met to discuss the application of the Union of Post Office Workers for affiliation to the Congress. The meeting had been called before the Government issued its warning of the penalties incurred by individual civil servants who remain members of a union which infringes the Act of 1927, because it had already been realised that the UPW's application might have serious political repercussions. The warning will make them think even harder. At the time of going to press, the result of the meeting is not known, but the indications are that the Government's refusal to countenance any illegality has had the desired effect. It seems likely that the UPW will be asked to withdraw its application. The attitude of the three other unions of civil servants—

the Civil Service Clerical Association, the Inland Revenue Staff Federation, and the Post Office Engineering Union—must also have had some influence. Representatives of these unions had already met the Prime Minister and Sir Walter Citrine in the hope of effecting a conciliation. They support the UPW in its wish for the right to affiliate, but not in its means of enforcing it, and after the Government's warning had been issued, they, too, issued a statement deploring an open breach between the Government and the Civil Service, fearing that the dispute might eventually involve the whole of the trade unions, and appealing to all concerned

to approach this situation in that spirit of good will and understanding which throughout the war has been the foundation of co-operation between the trade union movement and the Government.

If the UPW climbs down, it will be the Government's turn to make a conciliatory gesture.

Food Distribution Costs

Criticism about distribution costs often overlooks the fact that a pound of cheese, or a pint of milk, or a pair of boots, do not reach their final "production" stage until they are actually purchased by the consumer, and that "distribution" covers much more than retail sellers. This does not mean that distribution costs should not be criticised. And from the figures quoted by Lord Luke in the House of Commons on August 3rd the cost of food distribution certainly appears to be high in relation to its cost of production—in a pre-war year the prime cost of food at the ports and farms was £650 million, and the cost to the consumer £1,500 million, leaving a margin of no less than £850 million for distribution costs. Lord Woolton pointed out that this margin included £150 million of Customs and Excise duties on food and drink, and that the remaining £700 million included the entire cost of processing, manufacturing, packing, wastage, transport, and so on. He also gave the actual figures for 1942, exclusive of chocolate, sugar confectionery, alcohol beverages and mineral waters. The value at which food entered the chain of distribution in its finished state exceeded £900 million, and its cost to the consumer was £1,350 million, thus leaving a distribution margin not much above £400 million. In other words, the cost of making products ready for sale was equal to rather less than a third of total cost to the consumer. This margin may well be too high; but it is not in itself proof of inefficiency or high profits in the retail trade. It is certainly high enough to justify the survey of the various sections of the retail trade which has long been urged upon the Government, but has never been carried out. An overall reduction of 25 per cent would enable the whole community to spend an additional tenpence, on the average, per week on other things or on more food.

Mr. Morrison on Education

Mr Herbert Morrison has resumed his Midlothian campaign. His latest incursion into the sphere of reconstruction was at Liverpool last Sunday, when he spoke on the Government's education plans. Mr Morrison dealt in particular with the three subjects that were omitted from the White Paper because they are the subject of enquiry by special committees—the teaching profession, the content and purpose of education and, by implication, the public schools. In discussing the first, he was in some danger of mistaking a symptom for the disease. The real trouble with the teaching profession is not that its members have, and accept, an inferior social status, lack any outside interests, and become the creatures of routine, but that the conditions of a teaching career are such as to attract for the most part only the cautious and unenterprising who have no interests save their desire for a safe job and a pension. It is not a good augury for the success of the new educational policy that too many of the present recruits to teaching, especially among women, are quite frankly uninspired, uninspiring, and of but mediocre intelligence. Nor, apparently, is the campaign to find future teachers among members of the Services meeting with much success. Unless teaching is made a career worthy for the adventurous and best minds, education is not likely, except among a minority, to provide—in Mr Morrison's words—

a set of young people mentally hard-boiled, able intellectually "to stand on their own feet," form their own judgments, think for themselves, tackle the problems that life will put to them. . . .

Mr Morrison's opinion on the need for a common primary schooling for all was closely in line with the view frequently put forward in *The Economist*. It is no solution to the problem of secondary education to admit a few more poor boys to the rich boys' schools, but all should attend the same primary school whence promotion to the best, that is, the independent, schools should depend solely on intelligence and personality. If the Fleming Committee, whose report is expected shortly, reaches the same conclusion, the second gap in the White Paper will have been properly filled.

The TB Scheme

By the beginning of this month, the Minister of Health stated in Parliament before the recess, 28 counties and 48 county boroughs had made arrangements for putting into force the system of allowances to persons suffering from pulmonary tuberculosis. (The scheme was described in *The Economist* of May 8th, page 587.) More recently, he told the annual conference of the National Association for the Prevention of Tuberculosis that the cost of the scheme to the Exchequer would be about £3,000,000 a year. In relation to the total real cost of the disease to the community this sum is small; if it were doubled, it would not compensate the waste of manpower and loss of efficiency caused by tuberculosis, especially among the younger age-groups—in the 15-24 group, TB causes more deaths than any other single disease, and about one-half of the total deaths from all diseases. Yet, the Ministry of Health is apparently so alarmed by this £3 millions that it has decided to exclude from the new scheme of allowances the chronic active cases; that is, persons in whom the disease is stabilised but still active in spite of treatment. A logical argument for the Ministry can be made out. The allowances are aimed at preventing a TB sufferer from returning to work too soon, thereby having a relapse and infecting his fellow-workers; they are to tide him and his dependants over the long period of treatment and convalescence. But chronic active cases will not benefit from further

£50,000
was paid every
working day in 1942

to holders of PRUDENTIAL INDUSTRIAL POLICIES

More than 800,000 policies, including Free Policies, became Claims by death, maturity or surrender.

The payments exceeded
£16,000,000

including bonus additions of more than
£2,800,000

The Premiums paid on these policies totalled
£14,750,000

On the average
£1.1.11 was paid out
for every **£1.0.0** paid in

"Home Service" was given throughout the
period the policies were in force.

THE PRUDENTIAL ASSURANCE CO. LTD.
HOLBORN BARS, LONDON, E.C.1

THE ECONOMIST: 1843-1943

The Economist will be a hundred years old on September 2nd. A Special Centenary Volume, with the above title, has been prepared by the editorial staff and a number of distinguished collaborators, reviewing the history of the paper and its part in public affairs during the century.

This book is being published by the Oxford University Press and copies, price 7s. 6d., will be available in September. They should be ordered from a bookseller and not from *The Economist* or the Oxford University Press.

treatment and many will never be fit to return to work; therefore, special allowances to them would not expedite their recovery or assist in preventing the spread of the disease. From the point of view of the individuals concerned, this is a most inhuman decision—which, incidentally, was not made known when the new scheme was first officially announced. It means that of two patients, treated side by side in a sanatorium and discharged together, one will receive the special allowance—which, if he is married and has children aged 9-14, will amount to 58s. 6d. a week, together with a rent allowance and discretionary payments to help meet hire purchase instalments, life assurance policies and his children's education expenses—whereas the other will have only national health insurance benefit of 18s. or, more likely, a disability payment of 10s. 6d.—plus public assistance. And the only way of convincing the latter that he is not eligible for the special allowances is to tell him quite baldly that he is incurable. Yet, addressing the conference of the NAPT, Mr Ernest Brown could say

We want to throw a light of hope upon tuberculosis, and drive away the shadows of despondency which have surrounded it for so long.

From the point of view of the community, the decision is very shortsighted, for it will mean that especially now, when manpower is scarce, many of these chronic active cases, even those with positive sputum, will, in fact, obtain employment and spread the disease among their fellow workers. The Medical Research Committee's report on tuberculosis in wartime stated that many chronic active cases "are actually engaged in industrial work under ordinary conditions" and recommended that they should

be given modified work in reserved parts of factories, with subsidised wages, or, where necessary, should be resettled in suitable employment. This is primarily a matter for the Ministry of Labour, but in the meantime there is surely no justification for excluding this particular class of tuberculous persons from the scheme for special financial assistance. It is a false economy which augurs ill for the Ministry of Health's running of a national health service.

Shorter Note

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
May.....	584	733	1,317
June.....	201	284	485
July.....	167	210	377
Totals to date....	49,857	59,215	109,072

Of those killed in July, 59 were men, 80 were women and 28 were children under 16.

Letters to the Editor

Man-power in Coal Mining

TO THE EDITOR OF THE ECONOMIST

SIR,—In the Note on the above subject in your issue of August 14th you say that "a shortage of man-power, with a rising average age among miners and fewer productive workers, has, more than anything else, contributed to the present decline in coal production. It is not, as a series of articles in last week's *Daily Telegraph* affirms, 'the pervading indiscipline which is at the root of the coal trouble.'" Later in the same article you add that "surely the Minister of Fuel, with statistics covering the whole of British coal production, should be in a better position to judge than an observer of two collieries in a single district."

May I, however, remind you that on the evidence of the Minister of Fuel himself output has been falling in spite of an increased number of mineworkers, not because their number is smaller?

In an address to a meeting of Fuel Efficiency workers in Bristol on April 16th last he said that although there were more than 5,000 more workers in the coalfields, the weekly production had fallen by 100,000 tons. And as recently as July 20th, in answer to a question in the House of Commons, he gave the output for the quarter ended June 30, 1943, as 1,220,000 tons less than in the corresponding quarter of 1942, and the average number of wage-earners as 900 more.

With regard to the vexed question of absenteeism, the quoting of an overall figure of 4½ per cent for avoidable absenteeism, coupled with the statement that only a small minority of men are involved, gives a quite false impression of the extent of the problem and of its effects upon production.

Apart from the fact that the overall figure among coal-getters is higher, the point is that this overall figure conceals the high figure of absenteeism among large numbers of men at week-ends and after holidays, and that this results in the disorganisation of production on other days in the week.

The reference by the Minister of Fuel and Power in the House of Commons on June 23rd to "the 4½ per cent who are guilty of voluntary absenteeism" does not bring out the fact that, as explained above, much larger numbers are involved; and the mathematical calculation which he

gave, that if the 4½ per cent of voluntary absenteeism were halved this would increase output by 4,000,000 tons per annum, fails to take account both of the high rate amongst coal-getters and of the most serious after-effects which large-scale absenteeism on certain days exercises on subsequent days.

This kind of thing is the experience not of "one or two collieries in a single district," but of undertakings all over the country. The latest evidence of it is the appeal to the mineworkers in the North Staffordshire coalfield, issued by the joint wages board of the North Staffordshire Colliery Owners' Association and the North Stafford Miners' Federation and reported in *The Times* of August 16th. At some pits in that district there were, according to the report, as many as 50 per cent of the men away immediately after the August holiday and in some instances roadmen, haulage and surface workers had to be sent home because there was not sufficient facement to provide them with work.

We are receiving constant representations from colliery undertakings in different parts of the country as to the way in which the seriousness of this question is being persistently discounted. We have no wish to engage in public controversy on the subject, but we do feel that when reference is made to it, the crucial facts—and their consequences—should be explained to the public.—Yours faithfully,

H. J. GILLESPIE.

The Mining Association of Great Britain,
August 16, 1943.

Italy in the Commons

TO THE EDITOR OF THE ECONOMIST

SIR,—I am grateful to you for thinking my last parliamentary speech worth noticing. I do not write to complain or even to correct, but a friend of mine (presumably discerning, because an old and faithful reader of yours) sent me your paragraph, marked "This needs some answer, the bare phrase implies the maintenance of fascism!" So I hope you will print this to say (a) that I never doubted that military defeat would be the end of the Fascist party; (b) that I have always been delighted to think so; (c) that I hope my speech in its entirety was sufficiently indicative of this state of mind.—Yours, etc., KENNETH PICKTHORN.
August 10, 1943.

AMERICAN SURVEY

Manipulation in Memphis

(From a Correspondent in Tennessee)

Memphis, July 26th

AIR raid precautions have lapsed in Memphis. There were only two test blackouts, and there probably will not be a third. Memphis, busy, thriving, growing, an important producing centre in the arsenal of democracy, is sure that it will not be bombed. Yet Memphis is the scene of a defeat—defeat of the cause in which the United Nations fight, the cause of liberty and democracy. For Memphis has a totalitarian government. When the oncoming of war made the people of Memphis conscious of the preciousness of liberty and democracy, they were disturbed to see how similar in character their own local government was to that of Mussolini and Hitler—though, so far, not disturbed enough to rebel or even form an underground.

The Memphis situation should be disturbing to liberals everywhere in the Anglo-Saxon world, for it offers evidence that susceptibility to dictatorship is not a peculiarity of Germans, Italians and other lesser breeds without the law of Magna Carta, but of sturdy Anglo-Saxons themselves. Memphis is predominantly an Anglo-Saxon city. True, more than 40 per cent of the population is negro, but the negroes are not in a position to make decisions, nor can their presence fairly be said to be decisive in this matter, although, voted in a vast manageable bloc, they were the means by which the machine built up its power in the first place. The condition that exists was determined by the action and inaction of the Anglo-Saxon majority. What happened here can happen anywhere in the Anglo-Saxon world.

One man, Edward H. Crump, whose power has steadily grown since 1909, until it has become absolute in the political field and unduly influential in many others, is less the traditional American political boss and more the modern dictator. He prides himself that, unlike other bosses, he has not taken, nor permitted any of the officials he controls to take, graft from the public treasury. It is only power that he has taken. He enjoys a prosperity which is legal. His large income is derived from the well-advertised insurance business which bears his well-known name. His insurance company has offices in the building which adjoins the police station, city hall and court-house, which he absolutely controls. The public, as it goes into these buildings to do business, and employees of these public offices, as they go to their work, are reminded that Crump is in the insurance business by a sign, literally as "big as the side of a house," which covers the building containing the insurance offices. And, since insurance costs no more with the Crump firm than elsewhere, and the service is good, it is not surprising that the Crump firm does a very large business.

An entire generation has grown up in Memphis, and is now fighting on all the battle fronts of the world, which has never taken part in any of the processes of democracy, for these are only nominal in Memphis. "Ja" elections are held to ratify decisions made by the Leader. The government of Tennessee, known as the Volunteer State because of its exceptionally generous contribution of fighting men to all this democracy's wars, is also under the control of this local dictator, although his control of the State's politics is not absolute, like his control of the politics of his own city and county.

Crump came to Memphis from Mississippi, a young man of attractive personality with natural gifts of leadership which won him followers without the need of fraud or compulsion. He was admirably called "The Red Snapper" because of his shock of red hair and his bright brown eye. What caused him to turn from leadership to bossism?

Was it cynicism that came when he was ousted from the mayoralty by a court proceeding—inspired by corporation lawyers, he says—because he realistically declined to enforce an early prohibition law passed by rural legislators? Did this experience cause him to make himself so strong that he could not again be upset? Or when, somewhere along the political road, he first saw fear in the eye of his fellow-man, did this gratify what was ruthless in his nature, so that he said: "Why bother to persuade men when in the mass they scare so easily?"

Lèse Majesté

He has been ruthless. His election workers have smashed cameras and imprisoned reporters. His police have beaten up CIO organisers. His police for many days were stationed outside the drug store of a negro leader who dared to be a Republican, searching every would-be customer ostensibly "to find dope," until President Roosevelt's Department of Justice sent a distinguished Assistant Attorney-General to notify the police commissioner that this attempt to destroy a business had to stop.

The dictatorship is so extreme that there is even the crime of *lèse majesté*. A young lawyer attended one of the "court revels" which Crump, like all rulers, occasionally holds. If you are invited to one of these revels it is an indication that (1) you are entirely submissive, (2) you are in favour. As the story goes, this lawyer was playing a card game known as gin, when the king desired the company to join him in some other amusement. Brushing up the cards, the young lawyer was heard to say with perhaps a tinge of sarcasm, "When the boss says you gotta go, you gotta go." His treasonable remark was reported to the king. Punishment was swift. His name was stricken from the machine's ticket for the legislature, of which he had been a docile member in the previous session. He found it expedient to resign from a leading law firm of which he was a member. That was not all; he pulled up stakes and left the city. It was not necessary that he accept banishment. He might have remained in Memphis and built up a successful career as a lawyer who was known not to be "in cahoots" with the machine. But few see what an asset machine disfavour might be; this man did not.

The people of Memphis have given up their right to take part in public affairs for "light and transient causes." For while intimidation has been the chief weapon of the machine, it is paradoxically true that people who stand against the machine do not suffer as much from the machine as they think they would. A man after expressing a positive opinion in opposition to the machine (which people euphemistically call "the administration" in order to save their faces) will decline to state the opinion publicly. "I don't want to stick my neck out; I might get a traffic ticket." * Yet the record does not show that the few who oppose the machine are more likely to get traffic tickets than the many who do not. Another fear is that "my assessment will be raised." Yet the record does not show discrimination in assessment. Professional and business men by the thousands do not dare to open their mouths; they have not noticed that two men whom Crump most hated, the late G. T. Fitzhugh, lawyer, and the living Frank Thompson, undertaker, prospered and lived happily in Memphis despite that hate. Mass fear is irrational. Opposition to the machine has been as successfully immobilised by fear of what might happen as by actual reprisals.

There is one fear, however, which is not baseless, and it is a controlling fear in the case of many. It is fear of

* Translation: a summons for a motoring offence.

public attack. Few persons are invulnerable, and Crump is a master of ruthless and effective denunciation and ridicule. Typical is this jibe hurled at an opposition candidate for governor: "He is the sort of man who would milk a cow through a crack in the fence." Some of the citizens who hate the machine but fear to criticise say that the newspapers are too scrupulously devoted to the principle of free speech; that they should not print Crump's colourful but often unfair diatribes.

Next to mass fear, carefully cultivated, as an explanation of dictatorship in an American city is the fact that Crump has given the citizens little economic, practical reason for revolt. One has to look deep and far to see the inevitable price of dictatorship in pocket-book terms. As Mussolini "made the trains run on time," so Crump gives "good government." It is not as good as the machine says it is; it is not as good as many free cities have; but it is not bad. Taxes are low. Streets are clean. The business man is not preyed on by racketeers; he must make a large contribution to the machine's "campaign fund" (which they also raise in years when they have no opposition), but that is all.

The business man does not pay much attention to the fact that the machine's effect on state government has not been good. The knowledge that Boss Crump can throw the inflated and immense Shelby County vote to any candidate he chooses has deterred the best men from running for governor. The governors elected by this controlled vote have been mediocre or worse.

Crump controls the Bar Association. Crump has named most of the judges in Shelby County. He named the federal judge. For the first time he has named a member of the Tennessee supreme court, and this judge, Frank H. Gailor, cast the deciding vote which knocked out the poll tax repeal, to which Crump had given lip service. Crump controls the schools, the American Legion, the civic clubs.

The Opposition

But there are two great forces he does not control. He does not control the churches. The Rev. Sam Howie, recently president of the Ministers' Association, who continues as an acknowledged leader, is an outspoken and militant opponent of Crumpism. He does not control the newspapers. The *Commercial Appeal* is independent of the machine, though it does comparatively little about it. The *Memphis Press-Scimitar* is aggressively opposed to the machine. Crump taunts the *Press-Scimitar* with having no political influence. But it has a good deal of influence with Crump. The *Press-Scimitar* demanded that TVA power be brought to Memphis; Memphis is the largest city in the South that enjoys TVA power. The *Press-Scimitar* called for a safety campaign; Memphis for a while was the safest city in the country. The *Press-Scimitar* called for an anti-noise ordinance; Memphis is the quietest city in the world. Ironically, the *Press-Scimitar* may have helped prolong the life of the machine it fights. Its criticisms have held the machine in check, corrected many of its abuses, and prevented it from becoming intolerable.

Crump, who will be 68 on October 2nd, is in excellent health, of which he takes great care. He goes to Battle Creek sanatorium about once a year for a stay. He issued a statement recently, urging people to eat vegetables, as he does. He has issued a good many statements urging protection of birds. Birds now rival football as his hobby. Public officials and leading lawyers, who had never before shown any interest in birds, promptly organised the E. H. Crump Audubon Society, and solemnly hold meetings, which Crump never attends. Crump does not go to meetings; people must come to him. Crump suggested that cats, enemies of the birds, be trapped, and County Commissioner Francis Andrews immediately began trapping cats.

What effect will the machine have on national politics in 1944? When Crump, who is Democratic national committeeman from Tennessee, issued a statement denouncing Boss Flynn, and the Crump-elected Senator from Tennessee, Kenneth D. McKellar, voted against his confirmation as Minister to Australia, some thought that it meant that the Crump machine was joining the second Southern secession. But the breach, if any, has been healed, for the other day Senator McKellar came out for the fourth time.

What hope is there of restoring democracy? The *Press-Scimitar* has said that it would have required only ten fairly well-known citizens, standing firmly together, to have prevented the machine from getting control in the first

place, and that such a group could restore democracy at any time. No ten citizens have yet been willing to get together. The dictator divides and rules.

American Notes

Men Wanted

It is reported from Washington that President Roosevelt has decided to support the Austin-Wadsworth national service bill when it comes up before Congress in the autumn. This measure, put forward by two Republicans, Senator Austin and Representative Wadsworth, with the support of the American Legion, would, if passed, authorise the President to prescribe regulations assigning every man between 18 and 65 and every woman from 18 to 50 to some form of war work through the Selective Service system. It is said that it would add at least 1,600,000 persons to the labour force of 10 millions already engaged in war production. The opposition to such a bill would be very great, both from organised labour, and from some less disinterested parties—so great that approval of it may be indulged in without undue risk of bringing it to pass. There is no doubt, however, that the situation demands a drastic cure upon the lines of allocation of labour if the most is to be made of American industrial and military opportunities. The frequent and impressive directives of the Manpower Commission appear to be losing their effectiveness. The WPB has reported that seven West Coast aluminium works are idle for lack of workers. Despite the authority conveyed to the Commission last March by the President's Hold-the-line order, the drift of workers to better-paying jobs continues, whether or not it serves the war effort. The critical manpower position in aircraft production is ascribed largely to the lure of higher wages in shipbuilding, although it also appears that, to meet the situation caused by the delay in the call-up of fathers, the Forces have also been making inroads into skilled workers who would be more profitably left at their machines. Mr Ickes has requested the release of anthracite miners from the Forces; and a two months' blanket deferment has had to be granted to 24,000 aircraft workers on the West Coast. This, it is said, is to allow time for the development of a new draft policy. In the meantime, Mr McNutt is issuing to Selective Service boards a list of critical skills, which must be used in essential work if they are to guarantee deferment, an extended list of non-deferable occupations or activities (one of which is "the status of idleness") and instructions designed to stimulate the transfer from less essential to more essential work, and to cut down unnecessary turnover of labour. To implement these, more effective freezing of workers to their jobs is needed. It may be that this will prove the more acceptable alternative, with the threat of a National Service Act kept in the background.

Mr. Lewis and the AFL

Mr. John L. Lewis's application for the re-entry of the United Mine Workers into the American Federation of Labour is still holding fire. Mr Lewis's attempt to smooth his path by advancing a cheque for \$60,000 to cover the entrance fees did not succeed in persuading the AFL's Executive Committee to do more than refer the whole matter, without recommendations, to the Federation's convention which meets next October. The most obvious difficulties are those of jurisdiction. After the United Mine Workers left the Federation, an AFL charter was granted to the Progressive Mine Workers' Union; and it is contrary to the Federation's constitution to grant a charter to more than one union in each industry. Nor is this all. Local 50 of the UMW, which was designed to further Mr Lewis's control over a whole series of industries as far apart as farming and chemicals, conflicts with the preserves of many more AFL unions. Mr Lewis would have preferred, of course, to be admitted first and discuss these problems afterwards, when the opportunity for forcing him to restrict his activities would no longer be present. For the moment, at least, the Trojan horse remains without the gates, but beyond this there is little agreement from observers in Chicago. Some, among them Mr Louis Stark, the *New York Times'* veteran labour correspondent, have hailed the AFL decision as a Roosevelt victory, with Mr William Green, the President of the Federation, refusing to be tempted into joining the ranks of the rebels and Republicans. Others

believe that the purpose of the delay is to allow time for the ironing out of jurisdictional conflicts to present the convention with something approaching a *fait accompli*. It is also reported that Mr Lewis, affronted by the snub, may stop both his cheque and his application. But this rumour seems more like a part of a Lewis war of nerves. If Mr Lewis is determined to lead his union back into the Federation, for whatever economic and political purposes he thinks it may serve, he will find the patience to put up with delay and, perhaps, even to turn it to his own advantage. Unquestionably there are elements in the AFL that would welcome Mr Lewis back; the convention will see the final test of strength, a test which may decide whether the bulk of labour is to support Mr Roosevelt or a Republican candidate in 1944.

On the Boil

A vigorous attack has been launched by the federal Food Advisory Committee on current food policies, particularly as they affect the provision of food for liberated areas and the United Nations. The report, drafted by a group of representatives of various agencies with an official interest in food, has been submitted to Mr Wickard, and goes to the War Food Administrator for study. Among its comments is the statement that the United States has never been and cannot ever become the food basket of the United Nations. American civilian needs, it says, should not be left until after all other claims have been met. This ties in with the report that the War Food Administration has informed the Relief and Rehabilitation Organisation that it cannot set aside food reserves requested by the agency without cutting into civilian rations at home or curtailing allocations to Russia and Great Britain. The Committee urges the development of a worldwide food programme and increased production to provide an adequate diet for 40 million extra persons in 1944 and 1945. In its recommendations on the purely domestic situation, it demands the scrapping of the "parity price" device, more efficient use of the resources of the small farm (the point on which Mr Herbert Parisius and others resigned from the Department of Agriculture earlier this year), and the creation of a single government agency responsible for the production of food for export. Food is an increasingly sore point. Although coffee is now off the ration, and sugar said to be on the way off, points values for meat have had to be increased to meet a shortened supply, and excellent though the nutritional value of soya beans may be, there are few who do not prefer steak. It is not altogether surprising to find arising what appears to be a kind of alimentary isolation.

A Policy for Transport

The realisation that early in 1944 the United States will possess more than 30 million deadweight tons of shipping, the greatest merchant tonnage in the world, has stimulated lively debate in the United States as to what use is to be made of it after the war. The Maritime Commission has announced that merchant ship construction will continue throughout 1944 at about the 1943 rate—that is, about 20 million deadweight tons. Although the programme will concentrate on slow vessels, 1944 construction will include 319 of the new-design Victory ships, and enough fast C-type cargo ships to give the United States more than 500 of these fast vessels. The Commission has announced the creation of a Post-War Planning Committee for developing long-range plans for the American shipping industry. In addition to this official committee, the Chamber of Commerce has established a special committee to investigate measures to be taken for the conversion of American world transport to a peace-time basis, and the possible alternatives are being thoroughly canvassed in the press. The fundamental issue is seen as whether the United States is going to use its new merchant marine and the power of subsidy to dominate the sea-lanes, or whether it should be content with a smaller share in order to preserve the earnings of nations that have traditionally lived by the sea, and who have suffered heavy losses during the war. An aggressive policy is attributed to Admiral Land, who is said to favour the nation shipping American and travelling American, with in addition a liberal share of all overseas traffic going in American bottoms. Some shipping men, while believing that there must be a sharing of ships and traffic, argue that there is room for a bargain to be struck, with the United States

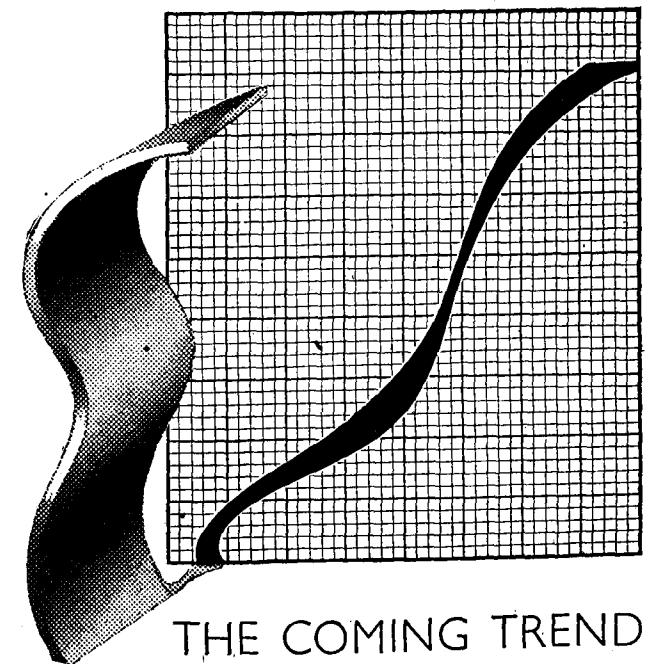
receiving in return joint use of military bases, or predominance in certain foreign trade areas. One of the most hopeful signs is the appreciation of the fact that free and widespread exchange of goods is essential if the massive number of ships now under construction are not to be so much steel scrap; and the realisation in some quarters at least that an attempt by the United States to maintain an artificial predominance in world transport would lead to retaliatory trade barriers which would prevent not only the profitable employment of ships, but of men and plant in the United States. This is the theme of a recent able leader in the *New York Herald Tribune*, which argues that

In this field, as in all others, economic and political, the safest programme is international co-operation as a matter of national self-interest.

Shorter Notes

The fact-finding commission appointed to investigate the Detroit race riot has reported that it was not "planned, premeditated, or inspired by subversive enemy influences," but was due to "racial tension" inflamed as a result of several disconnected incidents provoked by a group of negroes. From the short accounts available it does not appear whether the committee was authorised to investigate the causes for this racial tension or to make recommendations, but it is to be hoped that the matter will not be left here. If enemy influences were not responsible, the cause and cure will have to be found in Detroit, and other cities where tension between black and white threatens to interfere with the prosecution of the war.

The War Labour Board has abolished the Shipbuilding Commission because of disagreement with its wages policy and has rejected a demand for wage increases for shipbuilding workers, arguing that, with the exception of food prices, the over-all stabilisation programme has been remarkably successful.



THE COMING TREND

The trend in business furniture after the war will be more than ever towards the precision and permanence of steel. Sankey-Sheldon, in preparing to meet this growing trend, have realised that to this efficiency of steel must be added beauty—the beauty of soft contours finished in harmonious colour schemes and warm, caressing coverings. Sankey-Sheldon's post-war programme will provide a wide range of furniture and equipment, clean and hygienic, fire resisting and practically impervious to damp, dirt and deterioration. There is something inevitable about Sankey-Sheldon steel furniture.

Also Harris & Sheldon Ltd.
Makers of Shops

SANKEY-SHELDON
STEEL FURNITURE & EQUIPMENT
Chief Office: 46 Cannon Street, London, EC4

THE WORLD OVERSEAS

Palestine's Citrus

[FROM OUR JERUSALEM CORRESPONDENT]

July 6th

THE much improved financial result of the last citrus season, compared with the previous two seasons, has been mostly due to the further fall in the crop. According to reliable computations, the 1942-43 citrus crop did not exceed 5 million cases, against 6½ million cases in the preceding season and 18 million in 1938-39. On the other hand, the local demand for citrus fruit, stimulated by the short supply of other fruit and vegetables, has vastly increased. It has been estimated that 85,000 tons of citrus (a ton being the equivalent of about 25 cases) were consumed by the local population during the last season, including the Trans-Jordan consumption as well as the fruit used as cattle fodder, which accounted for about 10,000 tons. About a quarter of the crop was absorbed by various processing industries, which made further progress during last year, the production of concentrated juice being especially developed. In spite of trade restrictions, exports to adjacent countries have also been expanded; they exceeded 30,000 tons and again reached the volume attained in 1939-40. Purchases by military authorities decreased, on the other hand, to 30,000 tons. The result is that no fruit was buried or destroyed this year, and the proceeds of sale have been estimated at about half a million pounds, averaging about £P2.5 per ton of fruit on the tree, which is more than double the average income in the preceding season, even if the proceeds of the citrus tax, abolished since then, are included.

The average figures do not, however, convey an accurate picture, because of the wide and ever-increasing dissimilarity in the yield per dunum in the different groves. Although a minority of properly cultivated plantations still yield 80 and even 100 cases and more (4-5 tons) per dunum, there are about 50,000 dunums of groves where the trees have just been kept alive, but have lost most of their productivity; and another 30,000 dunums have been totally neglected or actually uprooted. Almost a third of Palestine's citrus plantations is thus already lost or threatened by wastage, and of the remaining groves, too, the majority have not been properly cultivated, for the prices of manure have risen to exorbitant heights, chemical fertiliser is impossible to obtain and insufficient measures have been taken to combat pests and harmful insects. Moreover, Government advances to cultivators (in 1940, £P2.6 per dunum; in 1941, £P3.2 per dunum; and in 1942, £P4 per dunum of the first 20 dunums and £P3.2 for the remaining area) have been inadequate for rational cultivation, and the total area to be covered by these advances was limited to 170,000 dunums in 1941-42 and to 185,000 dunums in 1942-43. In fact, the acreage benefiting from these loans last year was even smaller because they were only granted to cultivators who had kept up their groves to a certain minimum standard of maintenance and who could also provide sufficient securities.

The effects of this policy are illustrated by the following table, showing the condition of the citrus groves according to their different sizes, on the basis of the number of points accorded by the Government's fruit inspectors in 1942 (the maximum score being 15 points):—

CONDITION OF THE CITRUS GROVES

	Up to 8 Points	9-10 Points	10 Points and Over
Size of the Groves	%	%	%
Up to 20 dunums	36	44	19
60-100 dunums	19	41	39
100 and more dunums	15	39	49
Grand Total average	24	43	31

The consequence has been not only the reduction of the citrus area in Palestine, but also the elimination of the financially weaker cultivators, who cannot stand continual deficits and are compelled either to abandon their groves

or to sell them, mostly to commercial and industrial circles. Some lasting regional and national shifts may also arise out of this development, for the structure of Palestine's citrus industry is anything but uniform; in the Gaza district, the big groves—comprising 100 dunums and over—account for 43 per cent of the total citrus area, but in the Lydda district for only 20 per cent; the average size of a citrus grove in the Arab sector is 37 dunums, against 25 dunums in the Jewish sector and so on. It is generally taken for granted that the surviving plantations will be much better off after the war, but the question is being asked whether the price Palestine's citrus industry is paying for this consolidation is not much too high. The Government's recent decision to raise the amount of the advances for the first 20 dunums to £P5 per dunum and to abolish the limitation on the total area to be covered has, therefore, been received with satisfaction as a step in the right direction. A proposal recently adopted by the Palestine Citrus Board envisages also a comprehensive rejuvenation of the neglected plantations and a re-grafting of the old trees with varieties ripening earlier than the genuine Jaffas (e.g., Clementines) or later on (e.g., Valencias) in order to prolong the far too short shipping season for citrus. This scheme would also make possible the utilisation, for a couple of years, of the irrigated areas of the rejuvenated groves for growing vegetables and grain, thereby supplementing food supplies.

A scheme for long-term assistance to the citrus industry and for its post-war organisation has also been submitted to the Government and is now under consideration. The prospects for the near future have been somewhat brightened by the opening of the Mediterranean to Allied shipping, and it is hoped that ships coming in with military stores may be able to carry on their return journey some citrus cargo, so that a limited quantity of Jaffas may perhaps reach Britain next season.

Industry in the Protectorate

[BY A CORRESPONDENT]

WITH the growing air attacks against industrial targets in western and northern Germany, the importance of Bohemian industry to the Third Reich is bound to increase because of its comparatively sheltered position. There has been a considerable, though perhaps not spectacular, increase in the Protectorate's industry since the German invasion of 1939. The total number of workers in industrial employment is reported to have increased from 1,700,000 to over 2,000,000 during the first two years or so of the Protectorate's existence. Since then, this number seems to have remained fairly stable, but the number of industrial working hours per year may now be about 50 per cent higher than before the invasion.

The rate of increase has naturally been greatest in the munition industry. Most of the leading Czech munition firms such as the Skoda Works, the Wittkowitz Steel Works, etc., have been incorporated within the Herman Goering Trust; the only important heavy industrial concern which is not incorporated into the Goering Trust is the Berghuette, which, however, has also come under the control of German nominees. The gross profits of the Skoda Works have increased from 397 million crowns to 627 million crowns between 1940-41 and 1941-42 alone. Herr Bertsch, the German Minister for Economic Affairs within the "autonomous" Protectorate Government, has asserted that the number of working hours in the war industry proper has been doubled under German rule. Naturally, this increase in the share of the munition industries has necessitated a strict cut in various other industrial activities. Herr Bertsch himself announced, at the end of 1942, that the measures taken within the Protectorate to restrict, rationalise or cut down unessential industries have been more severe than in Germany itself; in the course of the present year, further restrictive measures, on a similar scale as in the Reich proper, have been taken. Those industries which formerly produced large quantities of consumers' goods for export such as the Czech footwear,

August 21, 1943

THE ECONOMIST

239

porcelain and glass industries, are known to have been particularly severely restricted. It has been announced that in 1941, the Protectorate still exported goods to a value of 400 million crowns to non-German countries, but that this export trade was greatly reduced in 1942. On the other hand, 57 per cent of the output of the metal industries was sent to the Reich in 1941 and a still larger percentage in 1942 and 1943.

It is very likely that the industrial restrictions within the Protectorate have had especially unfavourable repercussions on the efficiency of the Bohemian industry as a whole; for the industrial administration of this territory, though it has been remodelled on the German pattern, still lacks some of the accessories of economic control which have been developed in Germany. It has not been possible, for instance, to introduce a unified accountancy system which, in the absence of free competition, has been accepted in the Reich as the only means of measuring and comparing the productivity of individual enterprises.

The available labour resources have not been fully utilised in the Protectorate. On the contrary it has been the German policy to use Bohemia and Moravia as a labour export area; about 150,000 workers were sent to the Reich before and shortly after the outbreak of war. In 1942, compulsory labour was introduced, and restrictions were even made regarding the right of Protectorate citizens to choose their own career. It is not known what results these restrictive measures have yielded, except that the number of Czech workers in Germany must now be considerably larger than at the beginning of the war. Male workers have recently been replaced on a large scale by women, in order to make the former available for work in the Reich. There is no indication that the authorities believe in any vast further increase of the Czech industrial output as a whole, as distinct from the output of certain individual industries. Nor is it likely that any large numbers of factories are to be evacuated from western Germany to the Protectorate; the advertisements of firms looking for new factory premises, which now appear fairly frequently in the German press, mainly ask for premises in southern Germany, not in Bohemia-Moravia.

Shortage of Fuel and Power

This industrial policy may seem strange at first sight, but it can be explained by the shortage of fuel and power which restricted the growth of Bohemian industry long before a real scarcity of labour developed. Czechoslovakia, though not the territory of the present Protectorate, just managed to become self-sufficient with regard to fuel and power in the years preceding the outbreak of war. The present consumption of fuel by industry in the territory of the Protectorate is certainly much larger than formerly, while it has not been possible, according to the available company reports, to increase the output of lignite in the Sudeten area. A programme for the construction of various new dams, in order to facilitate navigation and to increase the output of hydro-electricity, was adopted in 1940-41, but it was recently admitted that most of these plans have been unexpectedly delayed. To bring up coal from the Silesian or western German districts seems to be difficult because of transport; nearly 40 per cent of the available railway facilities were already devoted to this transport two years ago. Transport is hampered, not only by the known shortage of wagons and locomotives, but also by the inadequacy of the Bohemian railway network, which was a comparatively weak link in the Czech industrial system at the time of the Republic.

Irish Agriculture

[FROM OUR DUBLIN CORRESPONDENT]

July 20th

STATISTICS published in the *Irish Trade Journal* make it possible to observe the effects of the war on Irish agriculture. The accompanying table shows the estimated value of agricultural output for several years. Agricultural output does not include any part of the produce used unprocessed for further agricultural production.

Substantial increases in every category have taken place in recent years. There has, however, been a considerable rise

ESTIMATED VALUE (£'000)

	1929-30	1939-40	1940-41	1941-42
Livestock and livestock products	52,204	46,914	48,653	52,349
Crops	6,640	10,164	14,297	16,730
Turf	3,317	3,846	5,293	7,630
Total	62,161	60,924	68,243	76,709

in agricultural prices since the outbreak of war, for which allowance must be made in calculating the volume of physical output. The index number of agricultural prices rose from 100 in 1938-39 to 126 in March, 1940, 137 in March, 1941, 144 in March, 1942, and 178 in March, 1943.

If a comparison be made between the years 1939-40 and 1941-42, it will be found that the output of wheat rose from 3,988,000 cwt. to 5,573,000 cwt., oats from 1,920,000 cwt. to 2,281,000 cwt., while barley remained stable. Sugar beet increased from 390,000 tons to 675,000 tons. There were also increases in the output of potatoes and flax and tow. Turf produced rose from 3,866,000 tons to 4,522,000 tons. These figures reflect the results of the compulsory tillage programme and the intensive drive for the production of turf. The volume of livestock has declined since the beginning of the war, but the downward trend appears to have been arrested. This is, of course, the consequence of the shortage of feeding stuffs, and represents a decidedly adverse movement in Irish agriculture, which has always relied on animals and animal products as its main source of income. When account is taken of the reduction in the number of livestock, together with the utilisation of the accumulated fertility of the soil, the conclusion is irresistible that the country has been living on capital during the war. This conclusion is supported by the fact that, whereas in 1929-30 a gross output of £62,161,000 was based upon the consumption of farm materials (animal feed, fertilisers and seed) valued at £9,924,000, in 1941-42 a gross output of £76,709,000 was obtained from the consumption of raw materials of £5,633,000. Irish soil is being, to some extent, "mined," as a result of war conditions.

The following table shows the changes that have been

Vitamins in chocolate for liberated Europe

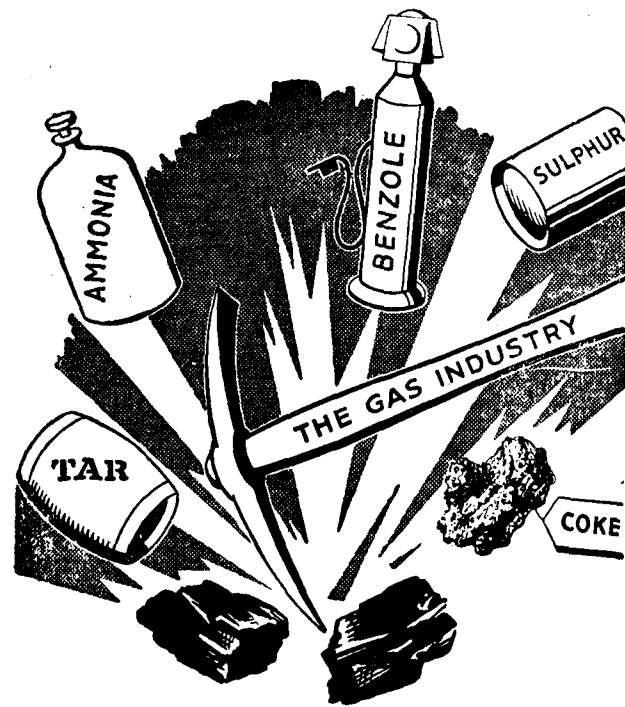
The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees, alone among British manufacturers, pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

Splitting the mighty atom

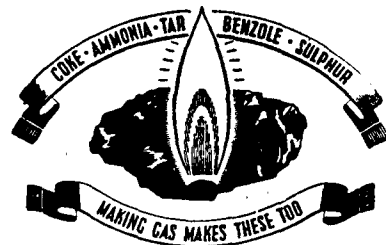


It is recognised now that coal is a means to an end — or rather to many ends. Not merely something to burn for its heat, but a source of numerous valuable substances that will be the basis of Britain's post-war prosperity.

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

taking place in the disposal of the agricultural output:—

PERCENTAGE OF VALUE OF TOTAL OUTPUT				
Disposed of by:	1929-30	1939-40	1940-41	1941-42
Farm consumption	27.1	32.7	36.0	38.3
Other home consumption	21.5	29.9	33.1	33.1
Export	51.4	37.4	30.9	28.6
Total	100.0	100.0	100.0	100.0

The advance towards self-sufficiency is obvious. While the reduction of exports that has taken place during the war is, no doubt, an inescapable necessity, the long period trend in the pre-war years is a more questionable development. The Banking Commission expressed dissatisfaction at the reduction in agricultural exports in view of the tendency for the balance of payments to become adverse. This tendency has, of course, been temporarily checked by the reduction of imports during the war, but when peace returns the maintenance of the volume of agricultural exports will once more become of great importance.

Portugal and Italy

[FROM OUR LISBON CORRESPONDENT]

July 31st

MATERIAL and sentimental reasons place Portugal in a somewhat exceptional position *vis-à-vis* present-day events in Italy. The abolition of Fascism and with it the system of corporations is bound to be reflected locally, since the Portuguese trade guilds are admittedly an adaptation from the Italian model, re-cast to meet national idiosyncracies. Moderately satisfactory in normal times, the corporative system has had to meet an unusual strain during the war. This is particularly true of the past twelve months; nor can relief be expected before the 1944 crops are in. Honest though their administration may be, it lends itself to popular criticism, much of it based on rumours and ignorance yet having a small substratum of fact. Portuguese totalitarianism is certainly benevolent when contrasted with Axis models, but there is no escaping the fact that no opposition to the official party viewpoint is permitted free expression. Yet that opposition does exist, in small, and, if Italian reconstruction includes a return to the open vote and the general principles of democratic government, even the exceptional ability of Dr Salazar may not persuade the Portuguese that nothing can be gained and much may be lost by once again opening the door to the professional "politico."

Nevertheless, resuscitation of the royal functions of the House of Savoy, which was so frequently in contact with Portugal in the days of the monarchy, accords with the ideas of the local aristocracy, a small group but of influence in Government circles and in close contact with similar Spanish ideals. They tolerated rather than admired Mussolini and Fascism. Totalitarianism, however, suited their interests as property owners, and the excesses credited to Communists during the Spanish war gave a fresh fillip to this group's belief that benevolent subjection and not too much education were together admirably adapted to Portugal's peasant population, largely composed of field labour. While Mr Winston Churchill's spirited denunciation of the totalitarian principle is well understood to be aimed primarily at the Axis lands, there is yet a certain amount of local heartsearching which the opposition may well be tempted to emphasise for its own political benefit.

Bourse Weak

Despite a superabundance of money, prices of all dividend-paying shares closed on July 30th at the lowest quotations of 1943. In Government bonds a decline was also noted, but to a much lesser extent. Banks, shipping and insurance showed the heaviest depreciation, but colonial shares, notably sugar and cocoa, also dropped steadily throughout July. It should be noted that this general decline occurred prior to the recent labour unrest, which took place on July 29th and 30th, and is officially said to be at an end. Both in Portugal and in Spain it is felt that, apart from political repercussions, the withdrawal of Italy from the war may well react financially and commercially upon the two countries in a manner unprofitable to their immediate trade interests. Uncertainty about the possible political developments in Spain is also accountable in some measure for the uneasiness that at present exists in the Portuguese market.

Germany at War

Economic Attrition

THE so-called total mobilisation decreed by Goebbels after the disaster at Stalingrad marked the beginning of a phase of acute economic attrition. The inevitable contraction of the available resources had already begun when the period of territorial conquests ended in 1941. Ruthless concentration and the technological control introduced by A. Speer, Minister for Armaments and Weapons, made it possible to maintain the output of munitions and weapons at a high level before and during the summer offensive of 1942. When it was clear that this offensive had failed, there was only one thing left to do—to concentrate all resources on the maintenance of war production without regard to civilian demands.

Measured in economic terms, the results of the total mobilisation, which officially came to an end a short time ago, are small. At the cost of closing down a large number of retail shops, and extending the conscription of labour, a total of roughly one million additional workers, mainly married women and old men, have been mobilised for war work. The total mobilisation enforced at the same time in the occupied countries yielded a greater number. But the women who have been sent to war work are mostly employed on part-time work, and the efficiency of the foreign workers is comparatively low. It is probably no exaggeration, therefore, to assume that, for one German worker called up for the Wehrmacht since February, 1943, at least two workers have been employed to replace him.

The difficult administrative problems created by these changes can be imagined. Just at the time when the new workers had to be sorted out according to their ability, heavy bombing started again, and it became necessary to undertake large-scale evacuation of women and children, as well as of important factories, from heavily bombed areas. The total mobilisation and the evacuation, which has not yet been completed, constitute a new and very extensive migration of people all over Europe. In Germany, millions of people have been moved from the Ruhr-Rhine area, from north-western towns and from Berlin to southern and eastern Germany. From occupied Russia, France, Belgium and Holland several millions of workers have been sent to factories in central and eastern Germany and Poland. The result is that a very large number of German workers live in huts and barracks. Foreign workers employed in Germany number roughly 20 per cent of the adult German population. The greater part of these, too, live in camps near the factories. In agricultural districts, the entire male population consists of foreigners, old men and young boys. German agriculture, as well as German armament production, is largely maintained by foreign workers.

Barter Trade

Total mobilisation was mainly conceived by Dr. Goebbels as a political move, but it served at the same time an important economic purpose. For some time, civilian commodities, particularly textiles, furniture and all kinds of household goods, had been in extremely short supply, and the shortage was intensified by bombing. A minimum production programme had been planned as part of Speer's concentration of industries, but labour and material resources were diverted to armament production. Total mobilisation meant that the manufacture of civilian articles was stopped altogether. The clothing cards became fictitious, and retail shops were unable to replenish their stocks. A new situation has arisen in the civilian sector of Germany's war economy. Those retail shops and department stores that are still allowed to exist have been ordered to reduce their stocks, which were fixed at a certain percentage of pre-war stocks. This means that many shops will have to hand over some of their stocks to the Wehrmacht pools. It means also that the shops have nothing to sell, and that the population now depends on second-hand goods. The gradual disappearance of civilian commodities, long before total mobilisation was declared, could be seen by the increase of private barter and the trade in second-hand goods. It became necessary, in 1943, to include the prices of second-hand goods in the system of price control, and special committees had to be set up for fixing prices. In practice, however, they could not be controlled, and a separate market, with its own price regulations, grew up.

More and more, a price level developed which can be compared only with prices for paintings and other objects of rare value. Trade of this kind constitutes a threat to the official price level, and the authorities were forced to restrict it by legalising barter trade. Most of the large German towns have now opened so-called barter department stores. Prospective buyers have to contribute some article. The price is assessed by official valuers, and articles can then be exchanged against any already brought in by other people.

Shock Production

Total mobilisation has left little or no marks on war industries, which constitute the greater part of the economy. The economy is already termed the fourth part of the Wehrmacht, which shows that, apart from foodstuffs, the entire output goes to the Wehrmacht. In fact, the declaration of total mobilisation created confusion in the reorganisation of the economy which Speer began in the spring of 1942. On paper, the new organisation looks extremely simple. The "Committees" and "Rings" set up by Speer are in direct control of industry. The regional self-governing organisations have been reduced to one Economic Chamber in each Gau, which are again controlled by the Economic Bureaux in each district. "Order Steering" departments, special commissars for the distribution of machine tools and tools, for the exchange of production experiences, for replacing scarce materials by substitutes, and so on, have been set up in the different sections of industry. The remnants of the cartels have been merged with the former industrial federations for fixing and controlling prices. But, in practice, the number of organisations has increased with every adjustment of the economy to new production programmes; and the organisation as a whole, which was meant to be simplified, has actually grown more complex in spite of the fact that the production has been concentrated in large factories.

After four years of war, during which no statistics have been published, there is no means of estimating the actual industrial output. Frantic efforts have been made to maintain the coal output by using more labour and by installing a number of combined coal-cutting and loading machines. The production of lignite is, however, still increasing, and company reports give the impression that the generation of electricity rose again during 1942-43. In the iron and steel industry, the production of high-grade steel has been sacrificed for inferior grades; and the supply position of non-ferrous metals, particularly copper, tin and even aluminium, is very difficult. Breweries and other closed-down factories are stripped of all their copper and metal parts. The use of substitute materials is now a fine art, but they demand a considerably greater labour force. There are signs that a shortage of machine tools has been growing for some time. Just as civilian industries were combed out for workers, factories are now being combed for machine tools. Germany's industry has, in fact, reached a stage where economising is the overriding principle, and where every bit of scrap material must be collected. Apart from the manufacture of a new type of heavy tank, there is a decided trend towards the manufacture of weapons and equipment that are simpler in design and demand less high-quality material.

An attempt is being made to direct production according to the principles of conducting a battle, that is, by forming "centres of gravity" in production, which means the concentration on the manufacture of certain weapons to which all other production is subordinated. Both qualitatively and quantitatively, production is on the decline in Germany. Yet there is still the possibility of "shock production," which is a peculiar feature of totalitarian countries at war. In other words, as long as the political regime is intact, it can direct men and materials to the production of certain things, without any regard to housing, family connections and costs, which would be prohibitive in the war economy of a democratic country. This is obviously what happened in Germany during 1942, and it is being attempted again in order to overcome the effects of bombing and military reverses. Last year, this policy was partially successful. If it is repeated this year, it can only hasten the general economic attrition.

THE BUSINESS WORLD

Marine Insurance

(By a Correspondent)

IN 1917 marine underwriters suffered very heavy war losses for six months and recouped them before the end of the year. In 1918 they had a very satisfactory time and closed their war account with a light percentage of losses. In 1942 marine underwriters suffered terribly heavy war losses for six months and recouped all or most of them before the end of the year. In 1943 they have (so far) had a satisfactory time, and seem likely to close their war account for the year with a light percentage of losses. As the Germans at present seem to spend most of their waking hours in thinking about 1918, Dr Goebbels, if this should catch his eye, may like to add another comparison of 1918 with 1943 to the armoury of his propaganda weapons. His German public will no doubt be interested to learn how closely, even in matters of insurance, the pattern of this war is following the pattern of the last.

Under normal conditions the marine market probably derives considerably more than half its premium income from time risks, and time figures in consequence have a greater influence on the year's result than voyage. In war things are different, and the high rates called for by the perils of war produce an income out of proportion to the humdrum revenue of the ordinary time market. And in this war marine voyage rates have risen sharply; the corresponding rise in time rates has been moderate. Whether the rise has been large enough to pay for the increased hazards of navigation must for a long time remain an unsettled problem, for repairs are postponed and again postponed, and the tail of a time account is today a very long one. It does not, however, seem probable that, with the cost of ship-repairing at its present level, time all-risk underwriters can with any confidence expect a satisfactory result from their war-time underwriting.

The underwriting of war risks in the past eighteen months has had most widely varying fortunes. When the United States came into the war at the end of 1941 it very soon became apparent that the market had badly misjudged the position. Orders to insure American ships and cargoes against war had for months been coming to London in great volume, and, on the strength of the neutral flag, underwriters had committed themselves heavily at low, even at nominal rates of premium, which proved to be wildly out of proportion to the risks which had to be run. The market, in fact, had let itself in for exactly the trouble that it had always envisaged and against which the non-marine war exclusion clause had been purposely designed. It came to a new war with a book full of war risks accepted at rates which were attractive enough so long as the peace lasted, but were disastrous the moment war broke out. The naval situation, too, had been misunderstood, and heavy losses came to the market, mostly in dollars, on time and voyage policies against war risks which had been signed at rates of less than 1 per cent. It was a difficult period. But the great merit of war risks from the underwriters' standpoint is that they run off fairly quickly and premiums can be adjusted, without much delay, to correspond with a rising hazard. That, fortunately for the market, happened in 1942, and the year will probably close on some under-

writing accounts with a not too serious loss and on others with a margin of profit. On the other hand, the present year should be profitable for almost all war underwriters. The premium income will not be sensational, but the failure of the U-boat campaign has greatly reduced the number of losses, and to-day a careful underwriter taking his booked war premiums with a reasonable estimate for unsigned premiums and setting against that figure his settled and known war losses will find that the ratio of losses to premiums is highly satisfactory. There is (touching wood) little reason to expect a reversal of fortune before the end of the year, and the year should continue to follow closely enough the precedent of 1918.

The most revolutionary changes made during the war have been made by voyage underwriters who have introduced an entirely new system of rating. Before the war underwriters, with the help of their own judgment and by the light of their own experience, quoted what they thought was the appropriate rate for the voyage and the interest to be insured. It was an outright rate, sometimes with additional premiums for trans-shipment; but the one rate covered the whole risk, and it was the product of the underwriter's unaided intelligence. As the risks of navigation and trans-shipment increased with war conditions the surcharge was introduced, and it was fixed not by the individual underwriter but by a committee acting for the whole market. The basic rate was still left to the underwriter's free judgment; but he had to add to it the agreed surcharge, which (to begin with) was the same for every kind of interest and for all conditions of policy.

These surcharges, as time went by, became both higher and more elaborate, varying more and more from voyage to voyage, and varying, too, according to the nature of the cover. "FPA policies" (free of particular average) carried one surcharge. "With average" policies carried another. "All risks" policies carried a third and a fourth. And finally came the combined marine surcharges, ranging from 2s. 6d. to 90s. per cent. printed in four columns and conveniently bound in pamphlet form for bedside reading. Those pamphlets to-day are the voyage underwriter's bible and liturgy; and the result is that while on a particular risk his basic rate, evolved from his own judgment, may be 5s. per cent, his surcharge imposed from on high may be 70s. per cent.

At this point we touch the real change that war has brought to the marine market. It is now a planned organism, and the economist who is concerned with the advantages of the planned State—its encouragement of enterprise, its scrupulous adjustment of the interests of producer and consumer, its stimulus to personal industry and hard thinking—will find them all in the marine market. One committee of underwriters decides the war rates for everybody and publishes them in two leaflets, black and red, according to the degree of compulsion to which the underwriter is subject; and the best war underwriter is the man who memorises best the printed orders of the controlling authority. Another committee decides the surcharges which underwriters must apply to marine risks, and the best marine underwriter is the man who finds his way most quickly through their four-column instructions. Finally—and this must have made some of our predecessors turn in their graves—hints are circulated to brokers how and where they should show their risks.

Perhaps all this is inevitable. In the planned State it will, doubtless, be permanent. But it was not along this road that London became the greatest market in the world.

This is the third in a series of four articles on Insurance. The concluding article of the series, to be published next week, will deal with Insurance in the Post-war World.

The Machine Tool Industry

ONE of the clearest lessons the war has taught has been the vital importance of the machine-tool industry. The theoretical economist classifies the factors of production as land, labour and capital; but to the planner of war production the trio appears in the guise of manpower, materials and machine tools—and the greatest of these is often machine tools. It is not often, however, that machine tools appear thus as a direct and primary contributor to production. They do so in wartime only because machinery and metal goods generally are the end-product of war production; they are what the community most wants to consume. In peacetime, not much metal is directly consumed, and the chief need for machines is to serve as producers' goods—that is, to assist in making other goods for consumption. Machine tools are producers' goods in the second degree—they are needed to assist in making machines to assist in producing goods for consumption. This means that the makers of machine tools inevitably suffer from the extremes of prosperity and depression. The baker does not do much more business in good years than in bad. The maker of bakery machinery has a more irregular business, since he gets orders only in the bakers' good years. And the maker of machine tools to make baking machinery can expect to be busy only when the maker of baking machinery is so busy that he needs to expand his capacity. The example is over-simplified to the point of caricature; but it indicates the nature of the economic climate in which the machine tool maker lives.

There are many variant definitions of what constitutes a machine tool, but, broadly speaking, the term can be taken to cover any power-driven apparatus for working on metal. The lathe, with its many descendants, is the essential machine tool, but machines for planing, drilling and stamping metal also fall within the definition. As is true of so much of the apparatus of an industrial world, machine tools

were invented and first made in Great Britain. But in later years, Britain has fallen behind both America and Germany, both in the size of industry and in the types of machine tools made. Britain has been especially weak in the more complex automatic types and in special-purpose machines. In 1930, the British machine-tool industry was far smaller than the size of the British engineering and other machine-tool-using industries would warrant, and in the pre-war years there was a considerable import on balance. There were several reasons for this. In the first place, British industry was less fully mechanised than American, and probably than German. Many operations which in America are performed by machinery were in this country performed by hand, or by very simple hand appliances. This was true of the actual productive processes in industry; but it was still truer of ancillary processes such as the transport and movement of materials. Similarly the process of mechanising the consumer—by motor cars, vacuum cleaners, refrigerators and domestic machinery of all kinds—had gone much further in America than in Britain. Secondly, it appears to be the case that such machinery as existed was replaced at much longer intervals in British industry than in American. This was partly due to the meagre allowances for depreciation made by the Inland Revenue, but it was also due to the native reluctance of British industrialists to replace a piece of machinery so long as it had any life in it. These two influences combined to reduce the domestic market for machine tools. If the representative British factory had only three-quarters of the mechanical equipment of an American factory with the same output, and if the average life was half as long again, the annual requirement for machinery would be only half as much. And if the makers of machinery also followed the practice of replacing their equipment slowly, the market for machine tools might be no more than one-third in Britain what it was, for the same out-



Ladies & Gentlemen

Surely your toast is
"The men of the
Merchant Navy!"

They are serving you
well . . .
Send your thanks to
sea with a donation
to the

MERCHANT NAVY COMFORTS SERVICE
62 Heath Street, London, N.W.3

Space given by "SUN INSURANCE OFFICE."

INSURANCE

CONSULT

THE

LIVERPOOL

AND

LONDON

AND

GLOBE

INSURANCE
COY., LTD.

HEAD OFFICE:
1 Dale Street,
LIVERPOOL, 2.

LONDON
(Chief Office)
1, Cornhill, E.C.3

put of consumers' goods, in America. Thirdly, there are very many different types of machine tools, and when a small total demand has been divided among these many types, the more specialised of them will be needed in such small numbers as not to repay manufacture if they can be imported. Fourthly, while the two other makers of machine tools have protected their markets from the start, the British industry enjoyed only moderate protection for only seven years before the outbreak of war.

During the war the British machine-tool industry has been considerably expanded and developed. The arguments for maintaining it in its expanded condition are equally strong in a context of war or peace. This war has demonstrated the enormous chasm of strength that separates a Great Power from a small nation. It is no longer true, as it was even up to the last war, that two or three small powers equal in strength one Great Power. Either a country is a Great Power or it is militarily defenceless, and no country can be a Great Power unless (among other things) it is an arsenal—that is, unless it is equipped for the production of a reasonably complete outfit of the weapons of modern war. A native machine-tool industry is an essential requirement for an arsenal. Consequently, if Great Britain is to remain a Great Power, she must look to her machine-tool industry as she does to her ships. In peacetime, a flourishing machine-tool industry would be a powerful reinforcement to the export trades. It is becoming more obvious every year that the industrialisation of countries that are now primary producers neither can be nor should be arrested, and that the international trade of the future will consist, more and more, of those articles that are exchanged between industrial countries. If so, machine-tool exports should be a rising market. A machine-tool industry cannot well exist (except for the sort of specialties on which, for example, Sweden has concentrated) anywhere but in a large industrial country. Just as cotton is the first industry to be set up when an agricultural country embarks on industrialisation, so the manufacture of machinery will be the last but one, and machine tools the last of all.

But if there is a case for the maintenance of a strong machine-tool industry as a part of public policy, it is very unlikely to come about by itself. The position on the morrow of the war will be peculiar and difficult. During the war there have been large increases both in the number of machine tools in use (large numbers having been imported) and also in the capacity and output of the British industry. Some of these tools can only be used for munitions, but many of them (almost certainly the majority) can be used for peacetime purposes. They will not necessarily, however, be useful in their present ownership or location. In particular, the Government will be the owner of large numbers of tools, both because of its direct trading in them during the war and because of the large numbers of factories whose construction and equipment it has financed. The automatic result of the end of the war would be that enormous quantities of machine tools would come on to the market. There would be a slump which, so far from supporting the industry, would kill it.

There are some analogies between this situation and that which will prevail in shipbuilding. In both cases it is necessary, on grounds of public policy, to keep the industry going in conditions of world-wide excess of supply over demand. In the case of ships, *The Economist* has suggested that the Government should itself place orders for a regular flow, hiring the finished ships out on long-term contracts

and on such terms as the market will support, to be employed by the shipping companies. This solution could hardly be applied to machine tools. The industry will doubtless require some reorganisation, in which the Government might well take a hand. It might be given financial aid and assistance in developing an export trade. But the great diversity of types of machine tools and the great variety of uses to which they can be put, in peacetime, by a very large number of different firms would make it almost impossible for the Government to draw up either a programme of production or a fair basis of hiring out. More indirect methods will have to be adopted.

The basic difficulty arises from the fact that the supply of machine tools (new and second-hand together) will greatly exceed the demand, and measures should be taken to work on both sides of the equation. On the supply side, the Government should pursue a very cautious policy in disposing of its stocks. Any tools that are more adapted to war work than to peacetime uses should be held in a national munitions reserve. Others that have comparatively little life left should be scrapped. The prices of second-hand tools should not be too low relatively to new tools—which involves the control of second-hand sales and, conceivably, a subsidy in aid of the prices of new tools.

The demand side is more difficult because of the derived nature of the peacetime demand for machine tools. The direct customers are engineering firms—the machine-makers—and it is precisely these firms that have been extensively re-tooled during the war. The war has also, of course, involved intensive usage of machine tools, but on balance the engineering industry is better equipped than it was. Demand could be stimulated by giving every encouragement to the replacement of tools. The cost of such replacement could be allowed (in all cases—not merely in some as at present) to be deducted from income for tax purposes; credit could be provided on easy terms; and if a subsidy were given in aid of the price of new machine tools, as suggested above, it would also assist in stimulating the demand.

But though the machine-makers' demand for machine tools could be stimulated and accelerated by these devices, it will remain dependent upon the demand for machines. Here the problems of the machine-tool industry merge into those of productive industry as a whole. This article is not the place for arguing the case for a great increase in the general mechanisation of British industry—indeed, of economic life generally—and for speeding up the average rate of replacement. It must be enough for the moment to say that there is such a case, based on far wider grounds than the desirability of maintaining the machine-tool industry, and that it is a very strong case. The special difficulties of the machine-tool industry in the period after the war will be temporary, and will vanish with the war's legacy of a surplus of tools. Thereafter the machine-tool makers' fate will depend entirely on the speed and determination with which the country sets about the task of continuing the Industrial Revolution. There should be a policy of first aid, on the lines suggested above, until such time as the general policy can attain momentum and thereafter a special watch over the fortunes of this vital but vulnerable industry. For these purposes, it will be desirable to keep the Machine Tool Control—or some similar agency—in existence. But the long-term answer to the industry's problems can only be given by industrial policy in the widest definition of the term.

Business Notes

Expectant Markets

The profit-taking which followed the rise of about 5 per cent in average equity share values on Mussolini's fall from power has now come to an end, but the markets have given no clear sign of an early renewal of activity. Technically, the omens remain almost wholly favourable. Gilt-edged values are steady, all offerings of high and medium grade industrials have been absorbed at prices only a little below the best, and the volume of business has tended to contract rather than expand during the process of consolidation. These are characteristic features of a bullish, but not a booming, market. The more avowedly speculative media, like foreign bonds, mines, and border-line industrials, have lost some of their recent buoyancy without losing any substantial part of their gains. But the markets as a whole appear to have direction rather than purpose. They lack a definite objective, apart from the purely general consideration that prices inside the closed capital system, with the military background increasingly favourable, must go higher, almost willy nilly. Investors have an Alexandrine desire to discover new factors to discount; for all the obvious possibilities—Allied progress, liberation of territories, and post-war recovery—already find reflection to a considerable extent in the present range of prices. Institutional investors, particularly, have difficulty in unearthing new lines of "attractive" stock. But the upward movement of values, with all its interruptions and temporary setbacks, continues, precisely because they, and others, have a continuing flow of liquid resources for investment, and must go on investing them. In these conditions, the favourable technical features in the market conspectus appear all the more reassuring. The Stock Exchange, where existing securities still have the freest of markets, and human motives find freest expression, would present a more exciting but less satisfactory picture if a speculative spirit, or the fear of inflationary conditions in the foreseeable future, were really common to large numbers of people. From that point of view, at least, the absence of sustained and consistent market activity, in the present phase, is welcome.

Stock Exchange Markings

When must a member of the Stock Exchange disregard his client's instructions? Whenever these would override his "duty to execute each transaction to the best advantage, according to his judgment at the time of dealing." That will be the effect of a new Stock Exchange Rule (No. 73a), which comes up for confirmation next Monday, after having been passed by the Committee for General Purposes on August 9th. The praiseworthy aim of the new Rule is less to protect investors against the consequences of their own human frailties than to prevent the Stock Exchange Lists from becoming a misleading record of "the state of the market." In one sense, the issue goes back to the time of Dunkirk, when for understandable reasons, a tendency arose for some clients to suggest, on placing a substantial order, that business should be done through a particular jobbing firm in whose standing they had special confidence. Later, the practice had a certain eleemosynary significance, in cases where investors were not averse to putting a little business in the way of some deserving beneficiary—even if he had no "book" in the securities concerned and his intervention merely cost the ultimate principal an extra jobber's "turn." There are, however, more sinister possibilities, in instances where the price a third party can be induced to pay for a share may be based, directly or indirectly, on a figure "marked" in the "Business Done" column of the appropriate Stock Exchange List. Rule 73a will henceforth make it impossible for a broker who has put through a sizable order in the normal way at a normal price, to accept instructions to place a small residual parcel through an intermediate jobber. Clearly, it would be against the public interest if the resulting figure, inflated by the double "turn," were held out as a representative marking. Brokers, admittedly, are sensitive on matters which impinge directly on their personal relationships with clients. But the latter deal always subject to Stock Exchange regulations, and the entirely generalised wording of the new Rule at least limits the discretion of members to questions of business interest, which are within their range of professional understanding, rather than of pure morals, which presumably are not.

Motor Industry's Plans

The motor industry, now engaged up to the hilt in war production, is beginning to make plans for the future. It has formed a Public Relations Committee under the chairmanship of Sir Miles Thomas, vice-chairman of Morris Motors and of subsidiary concerns. In his first statement, Sir Miles Thomas made two points. He predicted that the speed with which the industry can resume the production of motor cars will be much greater than is generally believed. This is encouraging. But he added that the industry would resume production from the point where it had left off, and that for some time no great change in models was expected. This is less encouraging. True, the industry could change over more quickly to the production of motor cars if it resumes the production of pre-war models. But this policy, if carried too far, might prejudice its future, especially in the export markets. The industry, in fact, will be confronted with the choice between bringing out new models, embodying the fruits of the technical progress made during the war, which would involve a comparatively slow start, and the production of pre-war models which would permit a quick start. This is a choice which should not be made without careful reflection upon its implications. Indeed, the pre-war policy of the motor industry, especially the insistence of individual concerns on producing a large variety of models, requires careful examination in the light of past experience. Even American manufacturers, with a home market more than ten times the size of Britain's, have found it advantageous to secure the benefits of standardisation by concentrating on a small range of models. Equally necessary is the reconsideration of the Government's taxation policy, for the horse-power tax has undoubtedly hampered the industry on the export market by forcing it to produce low-powered cars. If manufacturers wish to share in the prospective expansion of export demand after the war—as indeed they should—they must look ahead, not backwards.



**Security and Adaptability
in providing Insurance Protection
for Home and Business**

*The duties of EXECUTOR and TRUSTEE
undertaken at moderate fees*

**ROYAL EXCHANGE
ASSURANCE**

For over 220 years the Head Office of the
Corporation has been at the
ROYAL EXCHANGE, LONDON

COMMERCIAL UNION

ASSURANCE COMPANY, LIMITED

FIRE - LIFE - MARINE - ACCIDENT

Head Office . **CORNHILL, E.C.3**

Wages in Agriculture

The application of farm workers for an increase in the national minimum wage from £3 to £4 a week was rejected last week by the Agricultural Wages Board; the employers' representatives were unwilling to support the application without an assurance that they would be allowed to pass on the consequent increase in costs. But a motion for an increase of 5s. a week in the national minimum wage was carried. The application is to be discussed further on September 21st. Agricultural wages have been raised substantially since the outbreak of war. In July, 1940, when average wages in agriculture were 36s. a week, the national minimum was fixed at 48s., and in December, 1941, it was raised to £3 a week. The present national minimum wage is thus about 67 per cent higher than before July, 1940. The rise almost exactly equals the increase in the earnings of workers in industry between October, 1938, and January, 1943. But the two sets of figures are not comparable; in the one case they relate to the difference between the present national minimum and average earnings before July, 1940, and in the other case they relate to the difference in average earnings on both dates. To obtain a comparison with the rise of earnings in industry, average farm wages before the war would have to be set alongside, not the present minimum, but present average earnings, which are known to be above the minimum. Furthermore, account would have to be taken of the increase in average weekly working hours on the farm and in industry. Unfortunately, the data for such a comparison are not available; but if they were they would undoubtedly show that the increase in average farm wages has exceeded the rise of earnings in industry. This is not to say that the relatively greater increase in farm wages was not desirable. Before the war they were well below average earnings in industry, and some reduction of the disparity was justified. But if a national minimum of £4 a week were granted, farm wages would reach almost parity with earnings in many other industries; not, of course, immediately, but after the war, when industry will revert to normal hours of work. But unless the productivity of agriculture can be raised to the level of productivity in industry—which is unlikely—equality in earnings would involve a heavy subsidy with an agriculture of anything like its present size. In other words, the higher agricultural wages are fixed the smaller will have to be the size of British agriculture if the community is not to be made to bear an intolerable burden.

Change of Employment

Manpower is still a scarce factor, and the latest Order of the Minister of Labour—the Control of Employment (Termination of Employment) Order, which came into force yesterday, requires employers to notify a local office of the Ministry when an employee terminates his employment, or is under notice to do so. It applies to all men aged 18 to 64 inclusive, and women aged 18 to 59 inclusive. There are a few exceptions; the obligation already applies to those covered by essential work orders, which now comprise more than eight million workers. Turnover of labour is increasing, a reflection of the flexibility of munition production. The new Order will not provide any additional labour, but, since the Ministry of Labour will have prompt information when workers are free for new jobs, the time lag between jobs will be shortened. The labour exchanges can summon unemployed workers for interview instead of waiting for them to ask for new jobs. Workers outside the registration ages who are no longer required on work they have been doing have sometimes been lost to industry. By

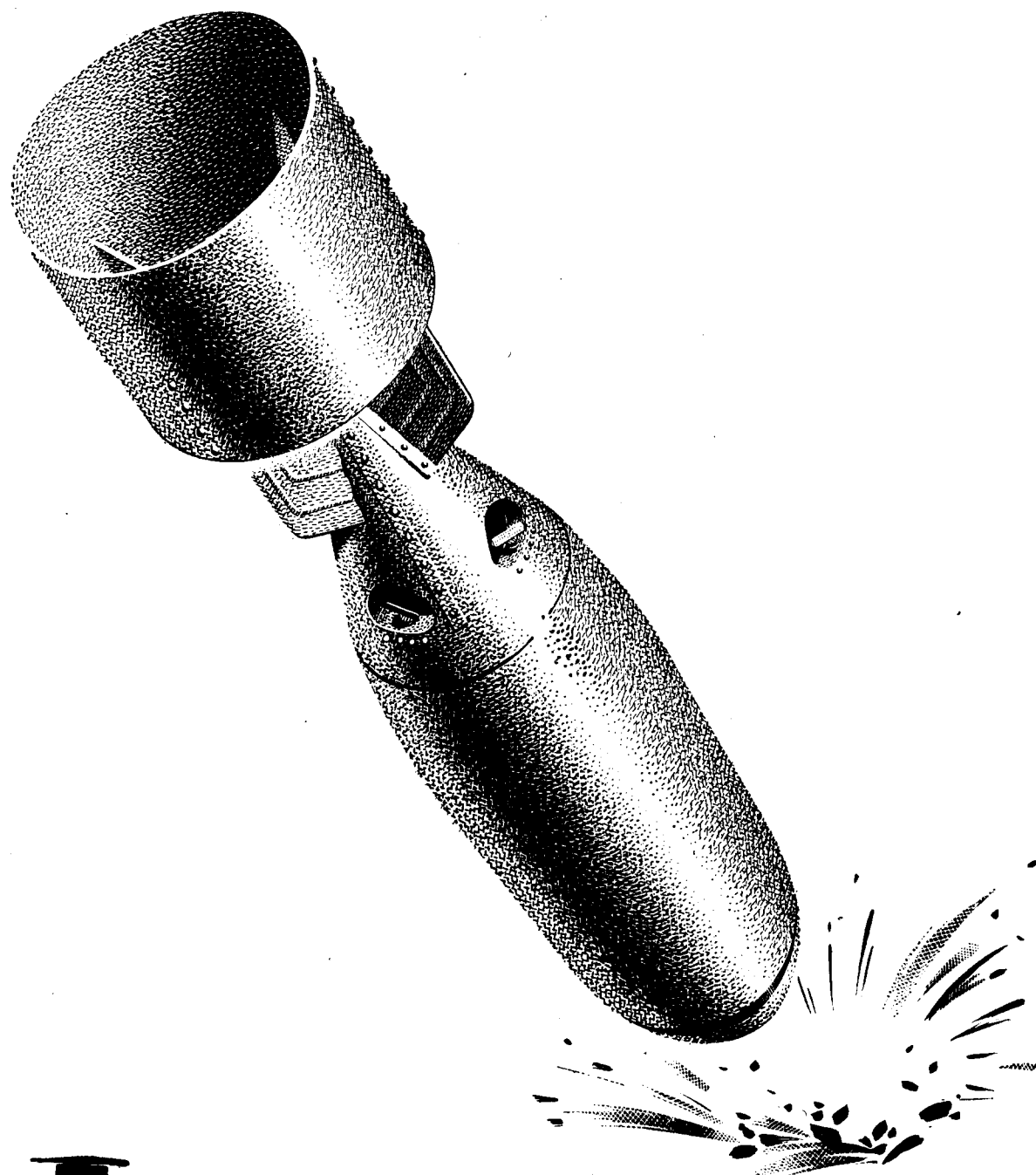
prompt action they can be placed in useful work in other firms. The Order applies to part-time workers doing more than 20 hours a week, as well as to voluntary workers. It will obviate the necessity of checking past registrations, which was a slow method of catching up with people who had left their work, but who had not applied for new jobs. Under the Order, the Minister of Labour has not taken powers of directing people outside the registration ages. It does not prevent workers from finding work for themselves if they are already free to do so. In general, the Order gives the Ministry more control over the labour force, and doubtless this step might have been taken sooner if the labour exchanges had been able to cope with the work involved.

The Lira Parity

To form any opinion of the intrinsic value of the lira is rendered doubly difficult at the present time by conflicting claims based upon insufficient evidence. Critics of the rate of 400 lire to the £ recently fixed in Sicily, it will be recalled, asserted categorically that such a rate represented a gross undervaluation. While it is more than doubtful whether adequate data are available to substantiate this assertion, there are certainly indications which tend to support it. The pre-war deficit in the Italian balance of payments is evidence that the lira was overvalued at the rate then current of 89 lire to the £, but the overvaluation was probably not serious. And according to Fascist estimates—as was pointed out in *The Economist* last week—the national income of Italy has rather less than doubled during the course of the war, from 90 to 170 milliard lire. This does not suggest that there has been a runaway inflation in Italy's highly controlled economy. Statements that the lira is "now practically valueless" are therefore misleading. If the internal control of prices is in fact becoming increasingly ineffective this is undoubtedly significant; but it would be surprising if inflation in Italy had already reached the advanced stage implied in some comments. Given the present military situation, it would also be surprising if some nervousness about the future of the currency were not to manifest itself. Thus, it has been reported this week that since the fall of Mussolini the buying price for the lira in the free market in Lisbon has dropped by half, from 10 to 5 centavos, whereas during the same period sterling has appreciated from 53 to 56 escudos. This gives an improvement in the cross rate for sterling from 530 to 1,120, but rates determined in a narrow and highly speculative market of this kind obviously have little relevance to economic equilibria. The movement is merely one aspect of the changing views about the war which have elsewhere been reflected in, for example, a slump in the Cairo price for gold sovereigns from 570 to little more than 400 piastres.

Mexican Silver Price

The news that Mexico, the world's largest silver producer, had asked the United States for supplies of the metal on Lend-Lease terms recently provoked a certain amount of ironical comment. The position remains rather obscure, but information which has lately reached this country from New York indicates that Mexican sales of silver to the United States have stopped. The reasons, apparently, are that Mexico needs larger supplies to support its own expanded currency, and that is no longer finds the American price of 45 cents for imported silver attractive. American domestic producers, it will be remembered, are receiving upwards of 70 cents an ounce. On the face of it, the American authorities could easily overcome the difficulty by paying more, as they have done in the case of many other strategic metals like Bolivian tin. The trouble is, however, that this might also involve an appreciation in the peso. This coin contains 38/100ths of an ounce of silver, so that at the present exchange rate of 4.85 pesos to the dollar, the peso has an exchange value of 20.60 cents and a melting value of 17.10 cents (at 45 cents per ounce). An increase, say, of only 9 cents in the price for imported silver would bring the peso to its melting point. Whether the American authorities would approve of an appreciation of the peso against the dollar in order to overcome this complication if the silver price were raised, it is impossible to say. At all events, the underlying pressure is in this direction. Mexico is building up a large surplus of dollar exchange, and although the United States' undertaking to support the peso with a \$40 million



I am the Bomb..

I was once the North and South gates of a London Park. When these gates were closed, small boys would clamber over me to gain the freedom of the City. Now many of them, grown to manhood, are fighting to gain freedom for the World. Behind them, staunchly helping in the fight, is the Motor Industry of Great Britain, making every kind of weapon vital to our cause.

Production for Victory

THE MOTOR INDUSTRY OF GREAT BRITAIN

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.

stabilisation fund has recently been extended for another two years, there is no need for it at the present time. The idea is, in fact, being canvassed that the peso should be allowed to return to its old pegged rate of 3.60 to the dollar.

Argentine Railway Capital Changes?

The announcement that the directors of the Bolivar Railway are considering the possibility of reorganising the company's capital structure has prompted discussion of the probability of future capital developments among the South American railways in general and the Argentine companies in particular. The Bolivar line has secured additional permanent traffic, but finds itself short both of engine power and liquid resources to take full advantage of its opportunity. Similar problems are common to concerns in many different industries when recovery comes after a long and gruelling period of adversity. The recognised procedure then is to "clean up the balance sheet," cut away dead wood, write off lost capital, and seek new funds through the usual channels. British-owned railways, for some reason, have been loth, in the past, to follow this procedure. But there are a number of special factors which, in the case of the Argentine lines, may eventually induce directors to examine its possibilities more closely. No single British-owned railway in that country has earned or paid an ordinary dividend for many years. Millions of pounds of dividend arrears have accumulated on preference stocks. Only one company, the Buenos Aires Great Southern, has avoided a moratorium on its debenture stocks, though some lines have been able to make substantial payments of interest arrears. All the companies are carrying heavy debit balances to profit and loss. Inability, in many instances, to finance normal renewals of track and rolling stock (or even, frequently, to obtain the necessary materials), has reduced operating efficiency and laid up a heavy bill for future rehabilitation. Obviously, decisive action must await the end of the war, but it may be argued that the present is the right time for making detailed plans, particularly on the financial side, to be put into operation as soon as opportunity offers. Unfortunately, conditions outside the companies' control militate heavily against firm planning of any sort. An essential for capital reorganisation is a reasonable prospect of maintaining a minimum basis of future profits, and that, it must be frankly admitted, is noticeably lacking. The traffic position has improved *pari passu* with the growth of war-time demand for Argentine products, and the outlook in the post-war period of world rehabilitation in that respect, is bright. But the attitude of the Argentine national authorities has been anything but sympathetic to the railways' claim for the establishment of working conditions in which they can earn even a moderate return on their capital. Increase in rates and charges (the most recent of which was authorised only a week or two ago), have been hedged round with conditions ensuring that their financial fruits shall not reach the proprietors. And the entire legal basis for the companies' operations will come into the melting pot in 1947, on the expiration of the Mitre Law—which has always been regarded as the Argentine railways' Great Charter, though many of its provisions have been honoured in the breach rather than the observance. Suggestions that important interests in Argentina favour a policy of "delayed expropriation," or eventually, of acquisition of foreign-owned railway properties

at bargain-counter prices, may, perhaps, be exaggerated. But so long as they exist, it will clearly be difficult for those in charge of the railways either to find a solid financial foundation for capital re-adjustment schemes or to plan a successful approach to British investors for new long term funds.

Clothing Ration Quality Differentiation

The Board of Trade has recognised the disadvantage suffered by people who buy relatively inferior clothing; since it does not last as long as better quality clothing, it has to be replaced more frequently. Unfortunately, some inferior clothing has to be produced, since material and machinery might otherwise be wasted. The demand for higher-priced goods has steadily increased; the amount spent per coupon was 20 per cent higher in June than the average for the preceding twelve months. Consequently there has been a pronounced tendency for lower-priced goods to remain unsold, and the stocks thus accumulating were beginning to be large. The coupon values of certain cheaper utility cloths and garments—affecting seven to eight per cent of utility output—are to be reduced from September 1st. This may help to dispose of them and to remove the disadvantage of buying cheaper clothing. Because of the small supplies of boots and shoes, their coupon value was raised, from August 15th, from five to seven coupons for women's shoes and from seven to nine for men's. Some cheaper utility shoes and wooden-soled shoes—the production rate of which is 20 per cent of women's shoes and 10 per cent of men's—remain at the old rate. Probably in view of their present quality, men's socks have been reduced from three to two coupons a pair, and women's seamless stockings, which comprise 80 per cent of production, from two to one-and-a-half coupons. If the same quantities of shoes and hose as at present continue to be bought, the effect of the changes in the coupon value of these articles is to raise the men's ration by roughly one per cent and lower the women's ration by the same amount. When the down-pointing of cheaper utility clothing is taken into account, the total effect is to raise the purchasing power of the ration.

Magnesium from Sea Water

Magnesium, the lightest of all metals, is playing a growingly important part in metallurgy and engineering. Pure magnesite (carbonate of magnesium) is of limited occurrence, though there are large deposits of a lower degree of purity. Dolomite, the double carbonate of calcium and magnesium, is far more widely distributed, and sea water provides an inexhaustible source of magnesium chloride, while certain concentrated solutions of magnesium salts occur in the Dead Sea, Michigan and elsewhere. Sea water contains an average of 0.41 per cent of magnesium; one cubic mile of water contains the raw material for over 4 million tons of the metal. The Dow Chemical Co. uses Michigan brines containing one part of magnesium in 100 for preparing the metal. In California the same firm concentrates sea water by solar evaporation and then treats the brine with lime to get magnesium hydroxide, which is reduced to metal. In his Peter Le Neve Foster lecture on "Magnesium" to the Royal Society of Arts early this year, Dr C. H. Desch, F.R.S., lifted in part the veil on British wartime developments in the manufacture of magnesia from sea water. The site of one of the newer plants was originally a small harbour the entrance of which is now closed by a caisson, sufficient water being obtained during high tide to enable the process using ten million gallons of sea water a day to continue during the period of low tide. The method is one of pre-treatment with lime to precipitate any dissolved calcium bicarbonate as insoluble carbonate. In the next stage the surface of the filtered sea water is sprayed with milk of hydrated calcined dolomite whereby the magnesium content of the water is precipitated as insoluble hydroxide. Later steps comprise the settling, filtration, drying and calcination of the magnesium hydroxide. It is suitable for manufacturing metallic magnesium by both the electrolytic and thermal reduction methods, and dead-burnt magnesia for the refractories industry. Another British plant employs pure magnesia instead of calcined dolomite as the precipitating agent. These plants are owned by the Ministry of Supply, and operated by managing companies. The new industry promises to be a permanent addition to Great Britain's economic activities after the war.

Tea Supplies

As reported briefly in *The Economist* of August 14th, the Minister of Food has completed his arrangements for the purchase of tea in the 1943-44 season, which began on April 1st. The quantity contracted for is estimated in trade circles to exceed the round figure given by Lord Woolton—700 million lb—by roughly 30 million lb. Of the total, 431 million lb are expected to come from India, 270 million lb from Ceylon and the remainder of 30 million lb from British East Africa, with Nyasaland and Kenya ranking first. While no official details of the prices paid by the Ministry have been made public, it is believed in Mincing Lane that the price arrangement introduced in the first year of the war will remain in force. By this arrangement planters are being paid the average prices for the years 1936, 1937 and 1938 plus certain allowances for increases in production costs since the end of the basic period. Although the quantities of tea bought by the Ministry of Food in India, Ceylon and East Africa exceeds maximum pre-war exports from these areas by about 125 million lb, it remains 200 million lb short of the total supplies available to the international market in the last pre-war season. On the other hand countries now under enemy control in 1938-39 re-hand supplies of tea of close on 100 million lb. The corded net imports of tea of close on 100 million lb. The season thus amounts to about 100 million lb. The war has not seriously dislocated international tea consumption. Despite the rationing system, United Kingdom consumption is equivalent to about 50 per cent of world consumption; the British Empire and the United States are absorbing the bulk of the remainder. Since last autumn tea has been distributed under the international tea allocation scheme introduced by the Combined Food Board. This scheme, by which the Ministry of Food acquires the whole of the available crops for distribution, serves all consuming areas outside enemy control, including neutral countries. The scheme is proving a success and may well provide valuable experience for possible post-war distribution schemes for foodstuffs. Last year tea distribution was somewhat hampered by the shortage of shipping, but shipments may proceed more smoothly this season. The Ministry of Food has rationalised tea packing for shipment. Tea is now largely shipped in broken form, rather than in the leaf. As a standard chest takes about 145 lbs of broken tea, but only 120 lb of leaf tea, a saving of 20 per cent in shipping has been secured.

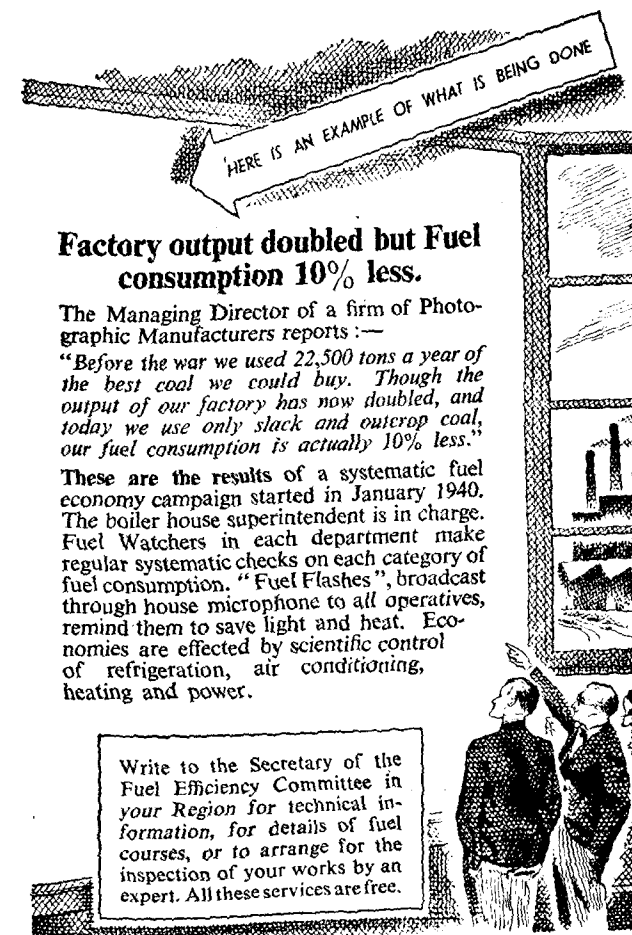
The reduction in tea supplies caused by the loss of the Dutch East Indies and other Pacific sources of supply, together with the introduction of the centralised buying scheme, have set an end to the restriction of international exports under the international tea scheme. This scheme attracted attention this week as the International Tea Committee published a review of its activities between 1933 and 1943. The Committee points out that the scheme will not necessarily continue in its present form after the war as it may have to be adapted to the general commodity control plans recommended by the Allied Food Conference at Hot Springs last May. The Committee is in favour of the representation of consumers in the scheme, advocated at Hot Springs. Stress is also laid on the continuation of the work of the International Tea Market Expansion Board. The report, however, is not in favour of a tea buffer pool, but it wishes to see the limitation on new tea plantings extended. It suggests that control should remain in the hands of the industry, not of the Government, and it recommends the continuation of Government support. On the whole, the proposals, with the exception of that for the participation of consumers' representatives, follows the principles of the old agreement. Admittedly, the conditions of the tea market are in some respects different from those in other commodity markets. Consumption, for instance, is mainly concentrated in the English-speaking areas and can only gradually be extended elsewhere. On the other hand production can be greatly extended from existing plants by intensified plucking. In addition, large stocks of tea are normally held in London and India, which render a buffer pool unnecessary; moreover, the types of tea used in the various consuming countries differ substantially. The proposals put forward by the International Tea Committee thus are less open to criticism than may appear at first sight. But whether these proposals will actually form the basis of the post-war tea scheme is by no means certain. The British Government is understood to favour the transformation of the tea scheme from a planters' agreement into a Government agreement.



THE MINISTER OF FUEL AND POWER SPEAKS TO

FACTORY MANAGERMENTS

"New battle fronts mean new fuel consumers. We must make even greater economies in industry during the next twelve months, and I appeal to Factory Managements to intensify existing fuel economy schemes and to initiate new ones wherever possible."



Factory output doubled but Fuel consumption 10% less.

The Managing Director of a firm of Photographic Manufacturers reports:—

"Before the war we used 22,500 tons a year of the best coal we could buy. Though the output of our factory has now doubled, and today we use only slack and outcrop coal, our fuel consumption is actually 10% less."

These are the results of a systematic fuel economy campaign started in January 1940. The boiler house superintendent is in charge. Fuel Watchers in each department make regular systematic checks on each category of fuel consumption. "Fuel Flashes", broadcast through house microphone to all operatives, remind them to save light and heat. Economies are effected by scientific control of refrigeration, air conditioning, heating and power.

Write to the Secretary of the Fuel Efficiency Committee in your Region for technical information, for details of fuel courses, or to arrange for the inspection of your works by an expert. All these services are free.

The Ministry's Regional Offices are at:—

GLASGOW • NEWCASTLE • MANCHESTER • LEEDS • BIRMINGHAM
NOTTINGHAM • CAMBRIDGE • CARDIFF • BRISTOL • READING • LONDON

ISSUED BY THE MINISTRY OF FUEL AND POWER

3% SAVINGS BONDS

1960-1970

INTEREST PAID HALF-YEARLY
INCOME TAX NOT DEDUCTED
AT SOURCE

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

COMPANY MEETINGS

WILLIAM HANCOCK AND COMPANY, LIMITED

INCREASED OUTPUT

The ordinary general meeting of William Hancock and Company, Limited, was held, on the 19th instant, at Cardiff, Col. J. G. Gaskell, T.D., D.L. (chairman and managing director), presiding.

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

The profit has reached a new level consequent upon a slightly increased output. Modification in brewing plant has enabled this increased output to be reached. We are brewing to maximum capacity in spite of many difficulties in the matter of supplies of materials and scarcity of labour. There has been a further slight reduction in gravity in accordance with Ministry of Food requirements, and certain of our well-known brands have necessarily had to be discontinued. Nevertheless, the demand for our products is continually increasing, a reflection that they still retain the popularity that they had gained in happier years.

In the balance-sheet trade creditors and sundry provisions, at £725,000, is £115,000 higher than last year. This includes reserved repairs and war damage reserve, and excess profits tax and income-tax reserve. It further includes substantial increase in liability for Beer Duty for the month of May, owing to a further increase in taxation. Since the commencement of the war there have been five increases in Beer Duty amounting in all to the equivalent of 6d per pint. Your company now pays in Beer Duty alone approximately £100,000 a month.

It has been the consistent policy of this company to give priority in the matter of supplies to members of the Forces and, although fluctuations occur in individual units, that demand remains as urgent as ever. At the same time, the requirements, both for the houses owned by the company and for free accounts, are constantly borne in mind and are, in fact, we think, fairly and even generously supplied.

The directors recommend that a dividend be declared on the 6 per cent. second preference stock for the past half-year ended May 31, 1943, and that a final dividend of 7½ per cent., less tax, be declared on the ordinary stock, making 10 per cent. for the year. This will enable a slightly larger amount to be carried forward than was the case last year.

There is a splendid spirit of cordiality between ourselves and our tenants and managers. They, like ourselves, are working under great difficulties on account of staff shortage, and to those who still remain, both in our houses and in our head office and branch offices, I would like to express the directors' grateful thanks.

The report was unanimously adopted.

CHARTERLAND AND GENERAL EXPLORATION AND FINANCE COMPANY, LIMITED

The ordinary general meeting of this company was held, on the 19th instant, in London, Mr J. E. W. Lomas, chairman and managing director, presiding.

The following is an extract from the chairman's circulated statement:—

The accounts reflect the acquisition of the assets of The United Exploration Company, Limited, as from August 19, 1942. The profit and loss account shows a credit balance of £78,722, an increase of £10,869 over last year. We have again benefited by the favourable course of the markets. Income-tax and N.D.C. on the year's profits at £39,693 is up by £22,000.

We recommend a final dividend of 3 per cent. on the preference stock and a dividend of 10 per cent. on the ordinary capital.

The report was adopted.

UNITED MOLASSES COMPANY, LIMITED

MR F. K. KIELBERG'S STATEMENT

The seventeenth annual general meeting of the United Molasses Company, Limited, will be held on the 27th instant at Brook House, Park Lane, London, W.

The following is an extract from the statement of Mr F. K. Kielberg, the chairman, which was circulated with the report and accounts: The accounts show the great financial strength of the company. Considering the number of countries all over the world in which the activities of the company have been curtailed or temporarily destroyed by the war, the combined earnings must be considered satisfactory.

Profits have been sufficient to maintain the dividends, cash distribution, allocation (£100,000) to general reserve, and slightly to increase the carry forward.

Brief reference is made in the directors' report to the company's acquisition of the controlling interest in Weymann's Motor Bodies (1925), Limited. The acquisition of Weymann's was made in pursuance of the board's policy to broaden the base of the company's activities.

Taking the group of companies as a whole, the trading at home and abroad during the first half of 1943 was reasonably satisfactory, but obviously it cannot be taken for granted that conditions during the second half will remain equally favourable.

The consolidated balance-sheet shows that combined current assets continue to accumulate, and that, at the end of the year, they exceeded current liabilities and appropriations by over £5,000,000. A large part of this amount will probably be required in the early post-war period for replacements of fixed assets lost during the war. The company during 1942 suffered serious shipping losses through enemy action, unfortunately accompanied with considerable loss of life. I am happy, however, to be able to report that losses this year have, up to the present, been a fraction only of those suffered during the same period last year.

AMALGAMATED DENTAL COMPANY, LIMITED

The thirty-eighth annual general meeting of this company was held on the 18th instant. Mr E. Russell Polden, the chairman, presided.

The results of trading, £292,263, against £247,538, showed an increase, but the incidence of taxation reduced the comparative balance available for distribution and left £42,793 to be carried forward against £63,088 from the previous year.

The chairman, in his statement circulated with the report, stated: In providing for taxation, including E.P.T., it will be seen that the reserve of £50,000 already created remains intact. During the period under review the utmost endeavours have been made to maintain effective service, while priority has naturally been given to national requirements.

It would be premature to refer to future developments, but I wish to assure the stockholders that plans are constantly engaging the closest attention of the directors. The report was adopted.

EAST GEDULD MINES, LIMITED

MILLING RESULTS

The sixteenth ordinary general meeting of East Geduld Mines, Limited, was held, on May 11, 1943, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks, said: The ore milled showed a small decrease of 9,000 tons to 1,923,000 tons, and the yield per ton milled was slightly higher at 5.79 dwt. The working revenue amounted to £4,681,486 and working costs absorbed £1,593,157, leaving a working profit of £3,088,329, or slightly more than in 1941. Taxation increased by £201,593 to £2,107,866, equivalent to 68 per cent. of the working profit,

and after taking into account other items set out in the accounts there remained a net profit of £1,006,618, being a decrease of £181,352 on the previous year. Including the unappropriated balance at the beginning of the year, the amount available for distribution was £1,387,183, from which two dividends, totalling 11s. per share, or 1s. 6d. less than in 1941, were paid.

In the interests of the war effort the company has taken steps to effect all possible economies in the consumption of stores and materials, a material step in this direction being the reduction of development work last year to a bare minimum. Such development work amounted to only 4,018 ft., of which 3,780 ft. were on reef and sampled, 2,500 ft., or 66 per cent., being payable with an average value of 9.2 dwt. over 30 in.

The ore reserves, as was to be expected with the curtailment of development, decreased 800,000 tons, to 15,200,000 tons when recalculated as at the year-end. The value of 5.2 dwt. and the estimated stoping width of 59 in. show no change from the previous year.

The Grootvlei Proprietary Mines, Limited, in which our shareholding remains unchanged, recorded most satisfactory progress during the past year.

The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

MR P. M. ANDERSON'S ADDRESS

The ninth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held, on May 12, 1943, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: Working results were less favourable than those of the previous year, mainly due to a reduction of 1s. 6d. in the yield per ton milled, but the position was greatly aggravated by a shortage of native labour in the latter part of last year, the strength at the year-end being about 20 per cent. below the maximum number in service early in the year.

The ore milled amounted to 1,187,200 tons, or little more than in 1941, and the yield per ton milled declined by 0.18 dwt., to 4.99 dwt. The working revenue was £2,492,773, of which working costs absorbed £1,593,942, leaving a working profit of £898,831. The provision for taxation increased by £23,564, to £449,058, and, after providing for other items detailed in the accounts, there remain a net profit of £441,249, or £109,916 less than in 1941. With the unappropriated balance brought forward at the beginning of the year the amount available for disposal was £720,300. From that amount two dividends totalling 1s. 4½d. per share—or 4½d. less than in 1941—were paid.

In order to assist the war effort your company has taken steps to effect all possible economies in the consumption of stores and materials. Part of this contribution arises through a 25 per cent. curtailment of the development programme, but the extent of this curtailment has proved to be excessive in view of a decrease in the proportion of payable ore disclosed in the course of the work done.

The development work during the year totalled 85,005 feet and of 55,425 feet on reef and sampled, 10,725 feet, or 19 per cent., were payable with an average value of 10.5 dwt. over 22 in. In comparison with the previous year the value shows a slight increase, but the amount of work done was not sufficient to maintain the ore reserves.

The ore reserves, as recalculated as at the year-end, amounted to 3,000,000 tons of an average value of 4.6 dwt. over an estimated stoping width of 41 in. Owing to the inclusion of a greater proportion than previously of ore on the margin of payability, the tonnage shows a reduction of only 100,000 tons compared with the previous year, but the value has decreased by 0.6 dwt.

The report and accounts were adopted.

GEDULD PROPRIETARY MINES, LIMITED

DEVELOPMENT WORK

The forty-second ordinary general meeting of Geduld Proprietary Mines, Limited, was held on May 11, 1943, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: The ore milled decreased by 5,000 tons, to 1,393,000 tons, compared with the previous year and the yield per ton milled showed a fractional increase to 4.76 dwt. Working revenue amounted to £2,789,822, of which working costs absorbed £1,369,247, leaving a working profit of £1,420,575, or £19,948 less than in 1941. The lower working profit, combined with a decline in dividend income on our shareholding in East Geduld Mines, Limited, resulted in a decrease of £64,655 in the gross profit, which was £1,837,185. The amount required for taxation increased by £82,642, to £929,049, which is equivalent to 65 per cent. of the working profit, and after providing for other items detailed in the accounts, the net profit was £894,919, or £147,471 less than in 1941.

Including the unappropriated balance at the beginning of the year and funds previously appropriated for capital expenditure now recovered, there was for disposal an amount of £1,199,492, from which were paid two dividends totalling 12s. 3d. per share, a reduction of 1s. 3d. compared with the previous year.

In the interests of the war effort the company has taken steps to effect all possible economies in the consumption of stores and materials. An important step in this direction has been the curtailment of development work to a bare minimum, and on the Main Reef such work has been entirely suspended since the middle of the year.

The development work in Main Reef areas amounted to 1,653 ft. driven, and of 1,090 ft. on reef and sampled, 200 ft., or 18 per cent., were payable, with an average value of 7.5 dwt. over 33 in. Work on the Black Reef horizon was principally confined to making connections between shafts to facilitate exploration on an adequate scale when conditions permit. The footage driven on this horizon was 9,439 ft., and, of 2,880 ft. on reef and sampled, 950 ft., or 33 per cent., were payable, with an average value of 5.7 dwt. over 27 in. The limited amount of work done to date on the Black Reef horizon is encouraging, but, as I indicated last year,

it is insufficient to enable any forecast to be given as to economic possibilities.

The ore reserves, as recalculated as at the year-end, showed a decrease of 500,000 tons, to 8,300,000 tons, the value at 4.2 dwt. and the estimated stoping width of 52 in. being lower by 0.2 dwt. and 1 in. respectively.

East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, in both of which our interests remain unchanged, made satisfactory progress.

The report and accounts were adopted.

GROOTVLEI PROPRIETARY MINES, LIMITED

TAXATION BURDENS

The thirty-sixth ordinary general meeting of the Grootvlei Proprietary Mines, Limited, was held on May 11, 1943, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: The extension to the reduction plant resulted in the ore milled being increased by 349,000 tons, to 1,845,000 tons. The yield per ton milled showed a small decrease to 5.22 dwt. Of the working revenue of £4,052,664, working costs absorbed £1,872,851, leaving a working profit of £2,179,813, which represents an increase of £542,357 over the figure for the previous year. The provision for taxation increased by £472,952, to £1,395,672, and, after allowing for other items detailed in the accounts, there remained a net profit of £778,698, or £68,572 more than for 1941. With the unappropriated balance brought in at the beginning of the year there was £890,999 for disposal, from which amount were paid two dividends, totalling 4s. 9d. per share, an increase of 9d. over the previous year.

In the interests of the war effort the company has taken steps to effect all possible economies in the consumption of stores and materials, and an important step in this direction has been a drastic curtailment in the rate of development work.

During the year development work totalled 30,372 ft., of which 19,210 ft. were on reef and sampled, 10,275 ft., or 53 per cent., being payable with an average value of 15.3 dwt. over 24 in. Two connections have been effected with the underground workings of the Palmietkuil section of the company's property, but in order to conserve materials no development work will be undertaken in that section for the time being.

Due to the curtailment of development work, the ore reserves, recalculated as at the year-end, showed a decrease of 400,000 tons to 9,600,000 tons, the value of 5.2 dwt. and the estimated stoping width of 46½ in. remaining unchanged.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

INCREASED ORE MILLED

The eighth ordinary general meeting of Marievale Consolidated Mines, Limited, was held, on May 12, 1943, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: The ore milled totalled 597,000 tons, being an increase of 5,500 tons over the previous year, and the yield per ton milled showed a slight increase to 5.36 dwt. The working revenue was £1,347,276, of which £897,205 was expended in working costs, resulting in a working profit of £450,071, or £22,008 more than in 1941. The provision for taxation increased by £106,484 to £232,374, and, after allowing for other items specified in the accounts, the net profit was £213,198, or £81,975 less than in 1941. Including the unappropriated balance at the beginning of the year and £5,400 previously appropriated for capital expenditure now recovered, the amount for disposal was £409,652, from which two dividends, totalling 1s. per share—the same as the rate of the previous year—were paid.

The company has taken steps, in the interests of the war effort, to effect every possible economy in the consumption of stores and materials, and an important step in this direction has been a drastic curtailment in the scale of development work. In order to safeguard future production, however, the deepening of No. 1 shaft from the 7th to the 14th level was put in hand.

The development work during the year amounted to 31,637 ft., and of 18,710 ft. sampled and on reef 10,555 ft., or 56 per cent., were payable with an average value of 16.5 dwt. over 20 in.

Notwithstanding the curtailment of development work, the year-end recalculation of the ore reserves showed that these had been maintained at 2,500,000 tons and the value increased by one-tenth of a penny-weight to 6.0 dwt., the estimated stoping width of 38 in. being unchanged.

The report and accounts were adopted.

Company Results

International Tea Co.'s Stores.—Now controls some 1,400 shops.

	April 1941	May 1942	May 1943
Trading profits after war damage	843,504	1,927,194	1,920,536
Taxation	220,000	300,000	400,000
Depreciation	80,000	80,000	80,000
Fees, pensions and insurances	47,509	48,035	46,360
Gross preference dividends	210,771	210,771	210,771
Earnings on Ordinary	285,224	288,388	183,205
Paid on Ordinary (gross)	186,000	186,000	186,000
Earnings %	24.4	25.2	11.6
Paid %	12	12	12
Reserve	100,000	100,000	
Carry forward	119,062	121,450	118,655

	3,978,123	3,870,454	3,780,664
Consolidated Statement:—			
Net fixed assets	Dr. 50,528	Dr. 11,748	Dr. 30,757
Net inter-company items	2,290,285	2,468,853	2,569,039
Net liquid assets			
Gross liquid assets	4,005,957	4,392,682	4,754,442
Stock in trade	1,812,428	2,078,345	2,192,514
Goodwill	1,555,660	1,555,583	1,555,759

* 63 weeks.
† Also after provision for deferred repairs of £60,000 in 1942 and £80,000 in 1943.
‡ The total tax liability of the company (including tax deducted from gross dividends) for the three years is £396,779, £498,386 and £598,386.

The 5s. ordinary stock at 18s. 6d. yields £3 5s. 6d. per cent.

United Molasses.—Traders in molasses, with tank installations in all important sugar-producing areas, together with tanker fleet.

	1940	1941	1942
Trading, insurance profits and fees	874,445	238,950	234,113
Dividends from and share in undistributed profits of subsidiaries	195,856	236,307	131,153
Total income	1,070,301	475,257	365,271
Interest and fees	7,987	15,902	11,828
Depreciation	11,000	11,000	14,000
Tax provisions	625,000	75,000	43,000
Pension funds	25,000	32,500	15,000
Preference divs.	44,531	38,908	37,500
Earnings on Ordinary	356,783	301,949	243,943
Paid on Ordinary	206,444	195,450	195,450
Earnings %	48.1	30.9	24.9
Paid %	20	20	20
General reserves	150,000	100,000	100,000
Carry forward	66,582	73,081	74,452
Consolidated Statement:—			
Net fixed assets	1,146,781	1,213,494	699,941
Net inter-company items	3,212,262	3,144,222	5,060,323
Net liquid assets	1,146,702	1,278,865	1,058,114
Investments	4,429,006	4,790,082	6,814,780
Gross liquid assets (1)	1,808,283	2,722,342	3,657,439
Government securities	2,811,684	3,199,208	4,795,449
Total reserves and surplus	112,400	185,767	603,567

Tonnage replacement account

† Includes undisclosed amount from previous years now available.

* Including £140,000 provision for British and Foreign taxation for prior years.

‡ Contingencies.

§ Excludes 2½% tax free cash bonus each year.

|| Including £52,878 E.P.T. refund in respect of prior years, less tax thereon.

(1) Excludes investments.

The 6s. 8d. ordinary shares at 31s. 9d. ex dividend yield

£5 5s. 9d. per cent on the 20 per cent dividend and 2½ per cent tax free bonus.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Down-pointing of Utility Garments.—From September 1st, about seven to eight per cent of utility cloth is to be down-pointed. Some cloths are to be transferred from Group I (3 coupons per square yard) to Group II (2 coupons per square yard). Other cloths are to be put into a new Group III, with a coupon rating of 1½ per square yard. Some examples of the lower coupon rating for garments made from these cloths are given in the following table:—

Men's	Old rate.	New rate.
Jacket ...	13	10
Women's		
Dress, woollen	11	7
" other	7	5
Blouse	4	3
Nightdress	6	4
Vest	3	2
Open-back overall	3	2

Wholesale Vegetable Trade.—It has been decided to release a proportion of the workers engaged in the wholesale fruit and vegetable trade, for the armed forces and for vital war industries. The Ministry of Food, in collaboration with the Ministry of Labour, will consider firms in groups and apportion the number of persons to be withdrawn amongst members of each group so that the burden falls equitably. The quota to be released will vary in different areas.

Cotton Goods Exports.—In the second quarter of this year there was an improvement on the first quarter in the exports of cotton goods from this country. The piece goods total was 108,413,000 square yards, against 82,130,000 square yards, and the yarn figures were 4,782,000 lb., against 4,678,000 lb. The larger figures may be partly due to the improvement in the shipping situation; merchants have experienced less trouble in obtaining freight. Exports are small compared with 1940, when 978,479,000 square yards of cloth and 66,765,000 lb. of yarn was shipped.

Export Control.—Under the Export of Goods (Control) (No. 7) Order (S. R. and O., 1943, No. 1116), which comes into force on August 30th, control is extended to cover silver and silverware; fatty alcohols (including sulphonated fatty alcohols); cotton bags, sacks and packs; and additional metal goods, machinery and chemicals.

Pig Clubs Production.—The number of pig clubs in operation is 5,090 with a total membership of 110,000. The pigs are fed largely with waste food, and the numbers kept amount to 120,000, producing about 7,000 tons of pigmeat a year.

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

	Aug. 12, 1943	Aug. 13, 1943	Aug. 16, 1943	Aug. 17, 1943	Aug. 18, 1943
Crops	120.5	120.7	120.4	120.3	120.5
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	148.4	148.3	148.2	148.1	148.2
	Mar. 31, 1937*	Aug. 31, 1939	Aug. 16, 1943	July 19, 1943	Aug. 11, 1943
Crops	147.9	92.2	117.8	120.3	120.9
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	142.7	148.1	148.4

* Highest level reached during 1932-37 recovery.

BRITISH WHOLESALE PRICES

	Aug. 10, 1943	Aug. 17, 1943
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	47 2	46 3½
Eng. Gaz. av. per cwt. (e)	17 1	15 6
Barley Eng. Gaz., av. per cwt. (e)	28 9	28 0
Oats (e)	15 11	15 3
POTATOES (per cwt.)—		
English, new	8 3	7 3
JUTE (per ton)—		
Daisie 2/3 c. and f. Dundee	42/10/0	42/0/0
CHEMICALS		
Ammonia, Sulphate	9/11/6	9/11/6
VEGETABLE OILS (per ton net)—		
Oil Seeds, Linseed—		
Bombay	31/10/0	31/5/0
Calcutta	33/0/0	33/15/0

(e) Average for weeks ended Aug. 7 and Aug. 14.

AMERICAN WHOLESALE PRICES

	Aug. 10, 1943	Aug. 17, 1943
GRAINS (per bushel)—		
Wheat, Chicago, Sept.	143½	143½
" Winnipeg, Oct.	111	109½
Oats, Chicago, Sept.	69½	68½
Rye, Chicago, Sept.	99½	96½
MISCELLANEOUS (per lb.)—		
Cotton, N.Y. Am. mid., spot.	21-24	20-99
Am. mid., Sept.	20-22	20-11
Cotton Oil, N.Y., Sept.	14-15	14-15
Moody's Index of staple commodities, Dec. 31, 1931=100	245-1	244-6

RETAIL FOOD PRICES

	Sept. 1, 1939	June 1, 1943	July 1, 1943	Per Cent. Increase since Sept. 1, 1939
Beef, British—				
Ribs	s. d.	s. d.	s. d.	11
Thin Flank	0 7½	1 3½	1 3½	87
Beef, chilled or frozen—				
Ribs	0 4½	0 9½	0 9½	86
Thin Flank	0 4½	1 1	1 1	88
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	—
Bacon	1 3	1 10½	1 10½	60
Fish	1 1½	1 5	1 5	27
Flour (per 7 lb.)	0 1½	0 9	0 9	9
Bread (per 4 lb.)	0 2½	0 9	0 9	21
Tea	0 4	2 10	2 10	51
Sugar (gran.)	0 3	0 3	0 3	—
Milk (per qt.)	0 6½	0 9	0 9	36
Butter (fresh)	1 4½	1 8	1 8	31
(salt)	1 3½	1 8	1 8	30
Cheese	0 10	1 1	1 1	19
Margarine, special	0 6½	0 9	0 9	36
standard	0 6½	0 5	0 5	—
Eggs, fresh (each)	0 1½	0 1½	0 1½	—
Potatoes (per 7 lb.)	0 2	0 2	0 2	—
Index all foods weighted (July, 1914=100)	138	165	168	22

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

THE MONEY MARKET.—The difficult credit conditions that were experienced at the end of last week, when special buying was necessary to assist the market, continued on Monday. Government dividend disbursements on that day were not enough to offset the shortage of credit caused by the banks' heavy payments due this week on Treasury deposit receipts. These amounted to £70 millions, against nominal maturities of £50 millions; but pre-encashments had reduced the latter considerably. The market had also a somewhat larger bill quota to take up. No special buying of bills was reported, but official assistance was given through the banks. By the middle of the week, conditions were more comfortable, and the easier position is reflected in the Bank return. The note circulation is down by £2,725,000, and Government securities have risen by £7,058,000. The net effect of the various movements is to raise bankers' deposits by £9,248,000 to £149,507,000.

MONEY RATES, LONDON.—The following rates remained unchanged between Aug. 13th and Aug. 19th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1¼%; 3 months, 1-1¼%. Day-to-day money, 1-1¼%. Short Loans, 1-1¼%. Bank deposit rates 1%. Discount deposit at call 1%; at notice 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Aug. 13th and Aug. 19th. (Figures in brackets are par of exchange.)

United States. \$ (4.861) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4.861) 4-45-47; mail transfers 4-43-47½. **Switzerland.** Francs (85-225) 17-30-40. **Sweden.** Krona (18-169) T.T. 18-85-95, 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.** 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). **Turkey.** Piastres 520. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between Aug. 13th and Aug. 19th:

Egypt. Piastres (97½) 97½-1. **India.** Rupees (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½-1. **China.** National 33-3½. **Iran.** Rl. 126-130.

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 16-00 pesos (Aug. 13th, 16-04).

Forward Rates.—Forward rates for one month have remained unchanged at follows: **United States.** 2 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 cent pm-par.

GOVERNMENT RETURNS

For the week ended Aug. 14th, 1943, total ordinary revenue was £45,147,000, against ordinary expenditure of £106,252,000, and issues to sinking funds of £55,000. Thus, including sinking fund allocations of £3,305,958 the deficit accrued since April 1st is £1,215,018,000, against £1,078,202,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to Aug. 15, 1942	April 1 to Aug. 15, 1943	Week ended Aug. 15, 1942	Week ended Aug. 14, 1943
ORDINARY REVENUE					
Income Tax	117,500,000	216,518	262,522	15,657	12,337
Sur-tax	80,000	9,890	9,955	200	370
Stamp duties, etc.	100,000	36,751	37,398	1,510	2,706
Stamps	17,000	4,540	5,290	100	40
N.D.C.	500,000	9,534	8,941	341	585
E.P.T.	1,000	98,811	158,166	7,370	12,527
Other Inld. Rev.	1,000	240	168	...	5
Total Inld. Rev.	187,500,000	376,284	482,440	25,178	28,570
ORDINARY EXPENDITURE					
Motor Duties	25,000	4,433	3,609	103	286
Canadian Govt. Contribution	...	127,849	...	...	...
P.O. (Net Receipts)	400	9,850	...	1,150	...
Wireless Licences	4,700	890	1,040	...	...
Crown Lands	800	360	380	...	...
Receipts from Sundry Loans	4,100	878	1,855	92	113
Miscellaneous Receipts	24,000	36,903	28,101	1,484	1,507
Total Ord. Rev.	290,750,000	878,158	882,342	44,560	45,147
SELF-BALANCING P.O. & Brdcasting					
	110,632	35,600	40,500	1,250	2,350
Total	401,382,000	913,758	922,842	45,810	47,497

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Estimate 1943-44	April 1 to Aug. 15, 1942	April 1 to Aug. 15, 1943	Week ended Aug. 15, 1942	Week ended Aug. 14, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	139,875	137,469	15,253	1,302
Payments to N. Ireland	9,500	2,683	2,656	...	...
Other Cons. Fund Services	7,500	3,440	3,226	40	...
Total	392,000	145,998	143,352	15,293	1,302
SELF-BALANCING P.O. & Brdcasting					
	536,675	180,739	195,073	92,700	104,950
Total Ord. Exp.	928,675	326,737	338,425	107,993	106,252
Total	1,328,675	507,537	533,427	199,693	211,252

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £119,573 to £2,848,307, the other operations for the week (no longer shown separately) raised the gross National Debt by £59,965,590 to £18,068 million.

INVESTMENT

Stock Exchanges: London

	1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
				30 Ord. shares* 20 Fixed Int.†
Aug. 12	5,690	3,864	104-6	133-3
" 13	4,991	3,557	104-6	133-3
" 16	6,735	4,633	104-3	133-6
" 17	5,218	3,894	104-0	133-3
" 18	4,947	3,501	104-1	133-3

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 105-4 (Aug. 3); lowest, 94-1 (Jan. 4). 20 Fixed Int., 1943: highest, 136-8 (Jan. 22); lowest, 133-9 (July 2).

NET ISSUES (£ thousands)	200
P.O. and Telegraph	...
NET RECEIPTS (£ thousands)	1,245
War Damage Act	30
Land Settlement Acts	1,275

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
Aug. 15	975-0	Not available	...	...	...
May 15	1035-0	1885-9	233-3	983-5	4167-7
" 22	1050-0	...	...	...	...
" 29	1065-0	...	...	...	...
June 5	1080-0	Not available	...	...	...
" 12	1095-0	...	...	...	...
" 19	1110-0	244-4	55-0	925-5	4253-1
July 3	3028-2	...	...	...	...
" 10	1140-0	Not available	...	...	...
" 17	1155-0	...	...	...	...
" 24	1170-0	1899-1	309-0	973-5	4351-6
Aug. 7	1170-0	Not available	...	...	...
" 14	1170-0	...	...	...	...

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Aug. 14	75-0	135-6	75-0	20-0	0-69
1943					
May 21	90-0	157-2	90-0	20-0	0-46
" 28	90-0	159-5	90-0	20-0	1-13
June 4	90-0	154-5	90-0	20-0	0-80
" 11	90-0	152-8	90-0	20-0	0-76
" 18	90-0	160-8	90-0	20-0	0-69
" 25	90-0	165-2	90-0	20-0	0-47
July 2	90-0	173-5	90-0	20-0	0-37
" 9	90-0	180-2	90-0	20-0	0-28
" 16	90-0	175-4	90-0	20-0	0-00
" 23	90-0	164-6	90-0	20-0	0-29
" 30	90-0	182-8	90-0	19-11	30
Aug. 6	90-0	195-6	90-0	20-0	0-02
" 13	90-0	182-5	90-0	19-11	30

On Aug. 13th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 30 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 full. £90 millions of Treasury Bills are being offered on full. £90 millions of Treasury Bills are being offered on full. For the week ending Aug. 21st, 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
July 6	7,933	2,912	12,617	11,237
" 13	6,397	2,227	6,661	7,189
" 20	4,961	1,557	7,470	10,944
" 27	4,177	1,366	4,964	10,106
Aug. 3	3,342	1,181	4,768	5,869
" 10	3,752	1,574	6,564	6,970
" 17	...	...	8,476	15,772
Totals to date	893,988*	618,595*	1,326,179†	1,474,976†

* 194 weeks. † 137 weeks. ‡ 38 weeks.

Interest free loans received by the Treasury up to Aug. 17th amounted to a total value of £58,639,749. Up to July 31st, principal of Savings Certificates to the amount of £115,922,000 has been repaid.

BANK OF ENGLAND RETURNS

AUGUST 18, 1943

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	Aug. 15, 1942	Aug. 14, 1943	Aug. 15, 1942	Aug. 14, 1943
Working days:	6	6	191	190
Birmingham	2,041	1,907	82,028	78,378
Bradford	3,041	2,372	70,294	62,847
Bristol	2,531	525	80,686	21,727
Hull	596	435	25,073	19,365
Leeds	687	685	36,505	37,312
Leicester	737	607	27,654	27,744
Liverpool	3,912	4,147	155,351	145,048
Manchester	10,679	2,532	394,152	355,297
Newcastle	1,163	1,356	48,833	49,759
Nottingham	379	379	15,233	15,160
Sheffield	618	740	28,109	31,481
Southampton	104	91	3,768	4,398
12 Towns	26,541	15,776	968,533	848,516
Dublin*	5,819	6,672	212,408	228,534

Aug. 8, 1942, and Aug. 7, 1943.

NEW YORK EXCHANGE RATES

New York on	Aug. 11	Aug. 12	Aug. 13	Aug. 14	Aug. 16	Aug. 17
Cables:						
London	402½	402½	402½	402½	402½	402½
Montreal	89.560	90.680	90.750	90.750	90.750	90.620
Zurich	33.50	33.00	32.30	32.50	32.50	32.35
B. Aires	25.05	25.05	25.05	25.05	25.05	25.05
Rio	5.15	5.15	5.15	5.15	5.15	5.15
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10

* Official buying rate 23-78. † Free rate. § Bid.

AUS. COMMONWEALTH

£- Million £A's

	June 15, 1942		June 15, 1943	
	1942	1943	1942	1943
Assets				
Gold and English ster.	25.95	35.14	35.14	35.14
Other coin, bullion, etc.	6.76	11.85	10.57	10.78
All money, London	38.74	45.42	49.31	50.71
Securities and Treas. bills	101.75	215.53	214.33	214.08
Discounts and advances	27.56	20.55	20.66	20.79
LIABILITIES				
Notes issued	100.61	138.36	138.36	138.36
Deposits, etc.	126.43	176.92	178.49	180.52

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Aug. 13, 1942		Aug. 13, 1943	
	1942	1943	1942	1943
12 U.S.F.R. BANKS				
Gold certifs. on hand and	20,547	20,111	20,108	20,069
Total reserves	20,811	20,111	20,503	20,475
Total cash reserves	252	355	341	334
Total U.S. Govt. sec.	3,387	7,951	8,165	8,317
Total bills and sec.	3,405	7,976	8,195	8,353
Total resources	25,455	30,222	30,474	30,514

	Aug. 13, 1942		Aug. 13, 1943	
	1942	1943	1942	1943
LIABILITIES				
F.R. notes in circ.	9,841	14,228	14,433	14,522
Excess m. bank res.	2,380	1,020	1,030	1,200
Mr. bank res. dep.	12,709	12,309	12,336	12,456
Govt. deposits	174	559	338	295
Total deposits	14,214	14,440	14,384	14,403
Total liabilities	25,455	30,222	30,474	30,514
Reserve ratio	85.5%	71.6%	71.2%	70.8%

	Aug. 13, 1942		Aug. 13, 1943	
	1942	1943	1942	1943
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,742	22,334	22,335	22,306
Treasury & bank currency	3,332	4,090	4,093	4,091

	Aug. 13, 1942		Aug. 13, 1943	
	1942	1943	1942	1943
LIABILITIES				
Money in circulation	12,870	17,799	18,014	18,101
Treasury cash and dep.	2,380	2,831	2,679	2,578

SOUTH AFRICAN RESERVE BANK

Million £'s

	June 12, 1942		June 12, 1943	
	1942	1943	1942	1943
ASSETS				
Gold coin and bullion	55.21	68.86	69.35	69.99
Bills discounted	0.92	9.33	9.65	10.87
Invest. and other assets	54.96	84.58	85.54	85.18
LIABILITIES				
Notes in circulation	31.00	41.11	44.19	42.32
Deposits: Government	3.59	9.98	7.40	7.02
Bankers	63.73	100.84	100.99	104.80
Others	7.66	7.47	8.21	6.68
Reserve ratio	52.2%	43.6%	43.5%	43.3%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	June 1, 1942		May 17, 1943	
	1942	1943	1942	1943
ASSETS				
Gold and str. exch.	25.92	27.81	30.89	29.59
Advances to State	33.69	40.01	39.31	42.67
Investments	4.15	10.29	10.29	10.30
LIABILITIES				
Bank notes	24.98	31.67	31.88	31.81
Demands liab.: State	12.22	14.40	14.09	15.67
Banks and others	23.19	32.29	33.77	34.70
Reserve to sight liab.	42.9%	35.5%	38.7%	36.0%

BANK OF CANADA

Million Can. \$'s

	July 15, 1942		July 7, 1943	
	1942	1943	1942	1943
ASSETS				
Reserve: Gold	8.6	47.2	65.5	65.8
Other	846.1	1129.6	1147.9	1168.8
LIABILITIES				
Note circulation	554.1	758.4	765.5	787.4
Deposits: Dom. Govt.	22.9	90.1	112.5	121.6
Chartered banks	244.8	301.1	306.8	312.3

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

CENTRAL BANK OF TURKEY

Million Turkish pounds

	June 6, 1942		June 5, 1943	
	1942	1943	1942	1943
ASSETS				
Gold	138.4	155.5	180.5	198.0
Clearing and other exch.	64.3	104.1	67.4	8.0
Treasury bonds	135.0	133.7	133.7	133.7
Commercial bills	317.7	462.3	455.2	1.9
Securities	55.6	60.7	60.8	11.1
Advances	257.8	257.6	258.0	7.3
LIABILITIES				
Notes in circulation	610.0	715.0	721.6	743.6
Deposits	177.4	275.1	261.3	193.0
Clearing and other exch.	25.8	27.0	24.6	25.9

COMPANY RESULTS (August 4, 1943; to August 18, 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.													
Alton & Co.	June 30	53,500		20,258	82,225	5,000	15,000	30		+ 258	53,219	21,906	324
Barclay, Perkins	Mar. 31	633,516	67,592	122,197	228,557	37,800	53,648	6	30,000	+ 749	586,580	114,402	8
Clarkson's, Barnsley	June 30	67,815	5,018	5,911	17,585	1,950	4,062	12½		+ 101	67,885	5,622	124
Kay's Atlas	June 30	11,897	1,500	8,288	50,164	1,980	6,250	10		+ 58	10,978	7,946	10
Parker's, Burslem	June 2	423,072		44,700	84,057	33,825	164			+ 3,299	375,585	38,783	14
Seager, Evans	Mar. 31	330,204		124,071	160,194	24,625	10	85,000	+ 14,446	+ 1,820	177,603	40,784	74
Style & Winch	Dec. 31	504,789	40,000	86,217	189,472	21,897	62,500	25		+ 1,820	442,574	91,289	274
Tampin & Sons	April 30	490,146	15,436	55,190	90,778	38,400	11,825	10	5,000	+ 165	473,365	52,703	8
Vaux & Associated Breweries	June 30	75,279		55,569	139,976	20,772	34,353	7½		+ 444	75,443	56,047	74
Wells' Watford	April 30	20,476	1,899	4,001	10,737	4,194				+ 193	19,739	8,897	Nil
Building													
Eastwoods Cement	Dec. 31	42,708	12,000	10,341	27,553		7,500	7½		+ 2,841	39,658	26,998	10
Eastwoods Flettons	Mar. 31	30,286	7,500	10,768	26,439	4,750				+ 6,018	33,095	14,623	164
Eastwoods Humber Cement	Dec. 31	32,256	9,500	8,820	11,465		7,500	7½		+ 1,320	34,815	8,339	6
Eastwoods Lewes Cement	Dec. 31	21,507	6,000	6,544	14,823		4,031	7½		+ 2,513	12,331	4,843	5
Coal, Iron and Steel													
Associated Coal & Wharf	Mar. 31	68,321		32,229	58,012		23,066	7½	5,000	+ 4,163	54,469	51,625	74
Henry, Son & Co.	June 30	78,502		76,895	139,433		26,625	7½	50,000	+ 270	74,158	72,503	10
Livingston & Simpson	Mar. 31	93,369		63,277	81,248	15,600	22,500	7½	23,500	+ 1,677	88,458	59,781	74
Rickett, Cockerell	Mar. 31	71,202		112,196	20,250	48,377	10	6,000		+ 1,075	71,221	67,721	10
Thomas (Richard) & Co.	April 3	3,257,887	703,548	632,459	888,070	156,017	243,750	10	113,522	+ 119,150	3,165,534	480,226	5
Financial, Land, &c.													
Henry Briggs & Son (Trust)	June 30	30,039		29,625	43,382		25,574	6½	3,000	+ 1,051	29,667	29,258	64
Malayan Rubber Loan & Agency	June 30	1,226		160	5,322					+ 160	3,287	2,013	Nil
Trust & Mortgage Co. of Iowa	Feb. 28	16,002		Dr. 7,704	Dr. 7,824					+ 7,704	25,635	Dr. 16,884	15
Motor, Aviation, &c.													
Leyland Motors Limited	Sept. 30	417,112	172,995	144,747	252,257	34,125	67,500	15		+ 43,122	299,497	106,769	15
Rubber													
Allied Sumatra Plantations	Dec. 31	136,997	95,586	Dr. 125,505	21,122					+ 125,595	469,021	83,205	Nil
Anglo-Java	Mar. 31	4,445		Dr. 2,080	32,646					+ 7,940	132,326	86,294	Nil
Batu Caves	Dec. 31	1,318		Dr. 1,000	10,392					+ 1,570	37,018	5,630	Nil
Batu Tiga	Dec. 31	1,352		Dr. 2,524	24,881					+ 2,524	51,000	27,646	5
Bukit Rajah Rubber	Mar. 31	1,916		138	11,681					+ 138	19,448	3,012	Nil
Federal Estates	Mar. 31	1,181		Dr. 726	6,723					+ 726	22,922	Dr. 2,658	Nil
Kapap Para	June 30	222		Dr. 545	Dr. 3,863					+ 545	8,858	Dr. 3,128	Nil
Kawie (Java)	Dec. 31	902		Dr. 809	15,502					+ 809	17,417	4,456	Nil
Klabang Rubber	Mar. 31	424		Dr. 1,135	3,930					+ 1,135	7,869	Dr. 1,986	Nil
Mendaris (Sumatra)	Dec. 31	1,923		Dr. 7	25,179					+ 7	30,668	12,108	24
Meru River Rubber	Dec. 31	1,049		114	6,178					+ 114	18,842	2,439	Nil
Roadstead (Ceylon)	Dec. 31	46,676	2,249	14,957	18,486	15,000	5			+ 43	40,466	18,888	5
St. George Rubber Estate	Dec. 31	40,115		8,978	11,426	6,606	7	2,000		+ 372	26,643	13,120	Nil
Sumatra Rubber Estate	Dec. 31	Dr. 239		Dr. 1,776	22,189					+ 1,776	51,701	13,779	Nil
Sumatra Rubber Estate	Dec. 31	Dr. 218		Dr. 3,519	7,831					+ 218	8,746	Dr. 3,813	Nil
Sumatra Rubber Estate	Dec. 31	17,276	1,470	5,034	7,831	4,725	5			+ 309	23,488	4,906	5
Sumatra Rubber Estate	Dec. 31	Dr. 571		Dr. 571	371					+ 325	4,816	169	Nil
Sumatra Rubber Estate	Mar. 31	384		Dr. 873	415					+ 2,127	113	Dr. 1,650	Nil
Shops and Stores													
National Tea Co.	May 1	920,336	80,000	195,590	317,040	105,385	93,000	12		+ 2,795	927,194	300,773	12
Brooks (Stores)	May 1	19,050		13,378	83,528	13,125				+ 253	33,499	27,587	74
Brooks (Stores)	July 31	84,818		26,466	35,004	12,500	10,000	10	2,000	+ 1,966	46,176	14,408	24
Tea													
Asan Consolidated	Dec. 31	111,707	6,000	42,045	60,587	16,000	16,000	8	10,000	+ 45	66,766	30,691	7
Cambridge Plantations	Dec. 31	163,289	15,015	44,959	82,202	10,578	37,600	10		+ 3,219	153,701	49,934	6
Ceylon Tea	Dec. 31	177,736		3,003	8,532	320	2,865	6		+ 182	14,575	2,802	10
Harnsey Estates	Mar. 31	4,984	720	1,960	3,301	600	960	8	250	+ 150	7,702	3,112	124
Harnsey Estates	Dec. 31	8,914	2,888	24,034	55,103		23,800	20		+ 266	65,292	25,522	20
Textiles													
Hibern (Viscose)	April 30	147,820	22,000	25,943	46,279	18,000				+ 7,943	170,734	19,898	Nil
Kissal & Kemp	June 30	98,340	20,229	34,211	97,407	14,642	17,923	7½	30,000	+ 28,360	105,537	36,514	74
Trusts													
Bainburgh & Dundee Investment	June 30	147,935		47,905	66,255	16,572	19,642	8	10,000	+ 1,691	147,561	46,871	74
Third Scottish American	July 1	90,991		30,679	44,631	6,350	20,108	19	4,000	+ 221	90,390	30,008	19
Other Companies													
A.C. Cossor	Mar. 31	108,203		97,058	141,193	15,000	50,000	20		+ 32,058	78,105	66,676	15
Analagated Dental	Dec. 31	301,444		71,589	134,672	81,879	10,000	5		+ 30,935	260,078	105,045	10
Aveling-Barford	Mar. 31	85,225		42,670	86,190	4,813	20,000	10	15,000	+ 2,857	70,737	27,890	5
Bidwin, H. J.	Mar. 31	33,773		16,222	26,239	3,000	10,000	10		+ 3,222	27,505	17,603	10
Broadcast Relay Service	Mar. 31	148,995		65,439	87,075	8,090	51,902	7½		+ 5,447	164,548	47,037	10
Cresley Bros.	April 30	112,008		33,933	69,603	12,107	6,338	5	10,000	+ 5,494	80,370	29,294	10
Cresley Premier Engines	April 30	50,112		17,764	24,393	4,125	6,250	10	5,000	+ 2,389	47,042	15,499	10
Garfield Wade & English	May 31	105,786		57,185	120,767	16,250	33,100	10		+ 7,835	83,817	54,066	10
General Theatre Corporation	Mar. 31	446,07	55,875	58,414	33,666	18,750			40,000	+ 1,336	388,724	59,597	Nil
Manchester Railway Carriage	May 31	162,613	25,583	47,053	33,426		17,000		10,000	+ 1,999	167,869	30,661	74
Metropark Hotel	April 30	56,839		17,756	22,760	9,234				+ 8,522	26,836	5,003	Nil
Metropark Hotel	Dec. 31	4,23	465	Dr. 8,472	11,634					+ 8,472	9,380	Dr. 5,676	Nil
Metropark Hotel	Dec. 31	1,034,61	55,000	58,948	89,839	12,767	47,652	5		+ 1,371	851,217	35,045	5
Metropark Hotel	Dec. 31	40,21	4,710	12,885	1,034					+ 12,885	41,055	13,591	Nil
Metal Cloasures	Dec. 31	38,58		7,502	16,764		7,000	15		+ 2	37,267	12,225	124
Metal Industries	Mar. 31	264,94		126,816	209,341	13,177	90,578	10		+ 23,563	179,644	27,868	114
"News of the World"	June 30	195,51		195,511	209,341	63,000	6,200	18½	65,586	+ 255,839	192,939	12,818	5
United Molasses	Dec. 31	365,717	14,000	334,321	407,402	37,500	195,450	22½	100,000	+ 1,371	475,257	340,854	224
Walker Bros.	June 30	35,49	2,103	2,899	2,899	2,199	700	7		+ 30,633	30,633	2,899	7
Williams & Williams	April 30	97,19	24,919	49,522	65,604	3,033	26,250	15	15,000	+ 5,239	83,388	35,822	15
Wilson Bros. Bobbin	July 15	22,32		22,592	23,634		17,100	6	5,000	+ 492	20,667	20,667	6
Totals (C&S)													
Period 1, 1943, to April 1, 1944	No. of Cos.	75	12,45	1,479	3,279	4,762	889	1,648	639	+ 113	12,502	3,607	...
Period 2, 1943, to August 4, 1943	1,327	27,14	24,434	114,887	197,569	26,767	71,846	...	13,220	+ 3,054	265,328	112,342	...

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 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 ... £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 issues Bills, issues Telegraphic Transfers, Letters of Credit and also Circular Credits and Travellers' Cheques. Deposits are 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 ... £2,257,34
DEPOSITS & CREDIT BALANCES
 as at 27th Feb., 1943 ... £60,829,64

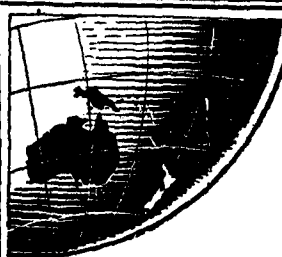
Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30 BISHOPSGATE, E.C.

PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY



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

LONDON OFFICES

29, Threadneedle St., E.C.2.

47, Berkeley Square

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:

Colins 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. J. 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

WANTED to Buy—Weekly, monthly or quarterly, literary, sociological, economic or scientific journal, active or defunct. Apply M.M., c/o Skan & Skan, 4, Copthall Chambers, E.C.2.

25,593 PIT PONIES Essential war-workers always ground. Government control of mines should guarantee work only one shift per day and more mechanised mines replace them. Contributions welcomed. The Pit Protection Society, 69, Carlton Hill, London, N.W.8.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5218

REGISTERED AS
A NEWSPAPER

AUGUST 28, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Uncertain Alliance? - - -	257	Russian War Output - - -	273
Party Prospects - - -	259	Motor Cars - - -	274
Post-War Currency - - -	261	Insurance Looks Ahead - - -	275

NOTES OF THE WEEK - - - 262

Quebec; Himmler Takes Over; The Air War; Victory Election; Australia's Task; Population in the Pacific; Jugoslavian Crisis; Manpower Changes; Labour Turnover; Fees in Secondary Schools; The Higher Civil Service; Uneasy Europe; Indian Lull?; The TUC and the War; The Law and Strikers; Shorter Note.

AMERICAN SURVEY - - - 267

Rift with Russia; The Two-Thirds Rule; More for Civilians; Sanctions at Home; Picketing Pegler; The Food Position; D-Day; Manpower Figures; Shorter Note.

THE WORLD OVERSEAS - - - 269

Nazi Failure in Norway; Brazil in the War; Northern Ireland Transport; The Indian Census; Russia at War.

THE BUSINESS WORLD

BUSINESS NOTES - - - 276

Markets and Quebec; Electricity a National Service; An American Business Emissary; Exports and Imports; Export-Import Bank; Gold Quotas Under White Scheme; Neutrals and "Tainted" Securities; What is a Franc?; South American Bonds; New War Bond "Tap"; Aircraft Contracts; Manpower Statistics; US Silver for War Industry; Canadian-Sterling Balance; Company Results.

COMPANY MEETINGS - - - 281

RECORDS AND STATISTICS - - - 284

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Uncertain Alliance?

THE fall of Kharkov crowns the successful Russian actions at Bielgorod and Orel, and it is the certain preface to fresh victories. Who controls Kharkov controls the Donetz. The Red Army is already moving forward across the river basin, and soon the Germans may be standing on the Dnieper line. All this has been achieved in high summer, the time of Germany's greatest triumphs in the first two years of the Eastern war. The winter belonged to the Red Army even in the dark days of 1941. It is not therefore fantastic for the Russians to hope that by following their summer victories with a vigorous winter campaign they can drive the invader from the soil of Russia. It would not be surprising if they also thought—very inaccurately—that this victory had been accomplished without any help at all from the British and Americans and the Red Army alone had defeated the enemy.

This possibility is leading some critics to fear for the stability of the alliance between Russia and the West. They argue that the chief bond holding together Britain, the United States and the USSR was the belief of each that the help of the others was necessary to defeat Hitler. If the Russians discover that without the Second Front they can beat the Germans, they may have little interest in continuing to co-operate. The chief Russian war aim, these critics argue, is to free Russia from the invader. If this can be done by chasing the Germans out, the fact

that the task of Britain and America in bringing the whole war to an end would then be infinitely harder might not move the Russians, who for two years have looked to Western Europe for signs of a Second Front and have failed to see even one cloud no bigger than a man's hand.

The critics support their case from recent diplomatic exchanges between Russia and the Western Democracies; and it is certainly hard to avoid the conclusion that the Alliance between East and West has undergone some strain in recent months. Since diplomatic relations were broken off between Poland and Russia in April, each diplomatic move seems to have increased the tension. First the Union of Polish Patriots, then the Free German Committee were set up in Moscow. M. Maisky was recalled from London, then M. Litvinov from Washington. Contradictory statements on whether or not Russia was invited to the Quebec Conference were issued from America and from Moscow. Meanwhile the Russian press has attacked Mr Churchill's very tentative proposals about European federations with the threat of breaking the Anglo-Russian alliance, and now the policy of the Foreign Office and the State Department towards the French National Committee is being sharply criticised. One might say with Benedict, "This looks not like a nuptial."

If all these indications do in fact point to a withdrawal of Russia, even if not from the war, at least from any

concerted post-war effort for peace and reconstruction, then the outlook for the world is gloomy indeed. The withdrawal of one of the greatest military and industrial Powers into moody and suspicious isolation would have as disastrous an effect on any attempt to build an ordered world as had the withdrawal of the United States after the last war. But such an outcome would be tragic not only for the nations outside Russia, but most of all for the Russian people themselves. If they are once again thrust back upon the boggy of a hostile encircling world, with which neither security nor economic prosperity can be shared, they will have to repeat their 20-year martyrdom of restoring the devastation of a disastrous war, building up a vast industrial system and maintaining an ever-increasing weight of armaments all unaided and at the same time. This week, plans of reconstruction for the reoccupied areas were announced. The Russians wish, perhaps, to suggest that they can do without the economic co-operation of other Powers. So they can, in the long run. But at what cost? The price of single-handed defence and reconstruction in terms of human sacrifice—another generation condemned to oppressive and unrelenting toil, low consumption, forced labour, economic and social tension—can be imagined by those who have studied the history of Russia's stupendous but costly development between 1919 and 1939. And to what end? To a further war? To another catastrophic blood-letting? Isolationism can hardly lead to anything else. Too great a fear of *Einkreisung*, as the Germans have discovered, creates its own enemies. Mutual fear can drive men and nations to fight as surely as mutual envy or mutual greed.

Anyone can understand why the Russians may feel that isolationism is their only path. In terms of human lives and physical destruction they have suffered more than any other great nation—though less, possibly, than some of the small. They have looked anxiously through two years' disastrous fighting for a Second Front. It has not come. It is easy for them to dismiss the Allies' military difficulties as mere excuses, to believe that they are shirking and prefer the Russians to be bled white. It is easy

to think of them as "capitalist wolves" and interpret their action as a deep-laid plot to weaken the great socialist state. It is especially easy to do so when quite a number of British and American left wing critics are losing no single opportunity of saying very much the same thing.

It is easy, it is understandable—but it is also very silly. If destroying the workers' and peasants' republic had occupied so high a priority on the Democracies' list, then presumably Mr Churchill would have lifted the blockade and put the RAF at the Nazis' disposal in 1941. If there had been a real desire to see Russia bled white, the Murmansk convoys would not have been sent, the fighting in Africa would have been restricted to a static defence, the bombing of Germany's industrial effort reduced to a minimum compatible with appearing to be in the war at all. The U-boats and the Atlantic Wall may look like excuses at the Russian end, but if the charge is pressed home *ad nauseam* there is some excuse for the British to reply that they too needed a Second Front in 1940, and it was a Russian miscalculation as well as a Franco-British defeat that deprived the grand alliance of its Western springboard. However, recriminations from either side are out of place. It is a question not of sentiment but of interest, the overwhelming interest of the Russian, British and American peoples in a secure and prosperous post-war world. Although it is easy enough to understand the feelings of the Russians, statesmen have to deal with facts, not feelings. Marshal Stalin has the reputation of being a realist. He would hardly prove it by allowing ideological prejudices and ungrounded suspicions to deprive the Russian people of the friendship and support of the outside world. The difficulties in the way of co-operation do not come primarily from the British and American side. Both Governments have given tangible proof of their desire to co-operate with Russia. Marshal Stalin is great enough to cut through the tangle of resentment and suspicion. He, least of all men, needs to be haggard by the kind of fears that made Hitler a maniac of encirclement.

It is, of course, possible that Russia's recent diplomatic *démarches* really represent nothing more than increased pressure for the Second Front, and that they do not indicate any intention of changing the fundamental strategy of co-operation. There are, after all, very good reasons for having men as well informed as M. Maisky and M. Litvinov at Marshal Stalin's elbow now that the time for political discussion and agreement with Britain and the United States is coming nearer. No irrevocable Russian step has been taken with regard to any of the National Committees or Allied Governments. There are still no rifts that good will and a determination to agree could not easily bridge. The Quebec decisions can no doubt do much to show that the difficulties are ephemeral and the common interest overwhelming. The Allied offensives are to be speeded up, and they may well include invasions elsewhere than in the Central Mediterranean. Another Conference in the near future is projected, this time to include the Russians. In any case, it would be very desirable if Mr Eden and an American statesman of equal standing could go to Moscow to report directly to Marshal Stalin on the joint decisions arrived at during the Quebec Conference.

Yet behind all that the British and Americans can do there lies a question of confidence. No one can compel the Russians to accept the proofs of Allied sincerity. No one can compel them to take a co-operative and not an isolationist view of their long-term interests. All that good will on the battlefield and at the Conference table, to speak with the utmost frankness and realism of the likely consequences of a Russian withdrawal—the Americans them should be able to be especially effective—and finally put forward, in as concrete form as possible, the contribution which they are prepared to make towards building, with the help of the Russian people, a stable and co-operative post-war world.

CENTENARY

The first issue of *The Economist* was published on September 2, 1843. The present issue thus completes a hundred years of unbroken weekly publication and *The Economist* of next week will be the first of the second century.

Among the ways in which the Centenary is to be celebrated are the following:

1. A luncheon at which the Chancellor of the Exchequer, the Governor of the Bank of England, the Secretary of State for Home Affairs, and others are to speak.

2. The publication of a volume of essays entitled "*The Economist, 1843-1943*." This volume, which is mainly historical in character, will be published on September 2nd by the Oxford University Press, price 7s. 6d. (Orders should be placed through booksellers, and not with either the Oxford University Press or *The Economist*.)

3. Next week's issue of *The Economist* will be a Centenary Issue, containing a large number of special articles reviewing the paper's first century and looking forward into its second.

Party Prospects

IS the long reign of the Conservative Party, which has lasted throughout the political lifetime of most of the present generation of electors, now nearing its end? The question is being very widely asked, and there is a surprisingly large number of people who take for granted that the answer is in the affirmative. They speak of the spirit of the times, and point to the steady upsurge of Labour and Socialist parties in the British Commonwealth of Nations. In politics, however, it is not possible to generalise in this way. No doubt, the Leftward trend will powerfully affect the policies of all the political parties in this country, whether Labour and Socialist or not, as it has done for a hundred years. But the actual balance of power between the two main contestants for office, the Conservative and Labour Parties, will depend upon their respective abilities to win and keep the support of a majority of the electorate.

Several arguments are put forward, most of them negative in character, for the belief that the Conservative Party has, for a time at any rate, had its day. The most frequent argument, perhaps, is the suggestion that its tenure of office must end soon precisely because it has been long drawn out; the pendulum, it is argued, must swing at last, the more so because the swing has been delayed. A second argument is that of what may be called war guilt. It was the Conservative Party, it is pointed out, that allowed Germany to grow strong and Britain to grow weak when it possessed ample power to prevent both developments; and Mr Churchill's present Administration still rests politically upon the support of those who in the recent past actively backed this disastrous policy. Time, it is suggested, must inevitably bring in its revenges. A third argument is less redolent of recrimination, which is never a fruitful premise for constructive political thinking. It is that the Conservative Party, despite the large contribution which it has made to progressive legislation and administration during the past three-quarters of a century, is in essence reactionary. The professed policy of those who count most in its constitution is to serve as a brake on the wheel, not to oppose progress, but to infuse it with the utmost caution; and it is argued that this mentality is incapable of satisfying the present national desire for broad forward moves in social and economic policy, carried through with boldness and inspiration. Finally, an analogy is drawn between the fate of the Liberal Party after the last war, when it fell swiftly from power to powerlessness, and the likely fate of the Conservative Party after this war.

The arguments against this thesis are at least equally numerous. In the first place, the fact that the pendulum has not swung for two decades is as much a reason for

wondering whether it will swing even now as it is for assuming that it must swing. Secondly, there is Mr Churchill—and the fact that, whatever the war guilt of those who supported Mr Chamberlain, it is the present Government, led by the leader of the Conservative Party and backed by a Conservative Parliament, that will have won the war. At any rate, it is probable that, whatever party ultimately secures the balance of advantage in post-war politics, Mr Churchill, still leader of the Conservative Party, will win the first election after the war. This will almost certainly be the case, whether that first election is a coupon election or not. In any event, it will be a khaki election; the voting will be taken, not on the Uthwart Report, but on the victorious conclusion of Britain's biggest war. It is true, of course, that Mr Churchill will not go on for ever. It seems likely that his successor in the Conservative leadership will be Mr Eden, whose popularity, in the Party and in the country, especially among men and women without any set party allegiance, is very high. To a point he may inherit, in a considerably diluted form, the good will that attaches to his present chief. The real question is whether he will inherit also the peculiar circumstances which consistently gave, not a leader like Mr Churchill, but men like Lord Baldwin and Mr Chamberlain the assurance of victory at the polls. The outcome of the second and third elections after the war depends, not on *post hoc* indictments or precarious historical parallels, but, first, on the actual successes or failures of the first post-war administrations, which may be mainly Conservative; and, secondly, on the ability of the Labour Party to convince the electors that, put in sole charge of the nation's affairs, it will have the ability to satisfy the nation's needs and aspirations more effectively.

Thus, the ultimate answer to the post-war political riddle lies in the constitution and development of the Labour Party rather than in that of the Conservative Party. It is probably true that the time is due for a period of government by a more progressive party than the Conservatives, despite the traditional vigour and sincerity of their progressive wing, are ever likely to be. But it cannot by any means be assumed that the Labour Party is capable of seizing the opportunity. Between the wars, when this opportunity was no less present, it proved incapable of taking its chance. Nor are the arguments which have been cited against the Conservative Party entirely one-way in their application. The Labour Party, too, has had its share of war guilt; it was singularly prone to that inability to balance commitments and power in its reckoning of foreign policy which Mr Lippmann has aptly called "insolvency." Moreover, it did not show in either its make-up or its mentality any more positive disposition towards constructive and imaginative projects

For Insurances of all kinds

ALLIANCE

ASSURANCE COMPANY LIMITED
OF BARTHOLOMEW LANE, LONDON, E.C.1

Custodian of the Future

The Alliance is empowered to act as
Executor and Trustee and as Trustee
for Debenture Issues.

HEAD OFFICE: TEMPORARILY AT KIDBROOKE PARK, FOREST ROW, SUSSEX.



of reform than the Conservatives themselves. In essence, it, too, was conservative; and this was due to its history and anatomy. The Labour Party was created by long struggle and tremendously hard work from the raw material of organised labour, with the co-operation of a comparatively few "intellectuals"; and, as a consequence, its policy has always been at least as much to preserve the gains already made, for a particular section of the community, as to secure greater gains. This industrial basis has meant that the policy of the Labour Party has always been, on the one hand, too specific and too exclusive to win the enduring support of that part of the electorate which is not organised in trade unions, and, on the other hand, too vague and too doctrinaire in the general principles it has professed to convince a majority at the polls. As a Labour Party, its aim has been "What we have we hold"; as a Socialist Party, its contribution has been simply a general denunciation of the capitalist form of society, without any readiness to take the risk of destroying that society by revolutionary means. Its policy has, therefore, been a compound of collective bargaining and inveterate opposition; and it was this circumstance which, between the wars, made the Labour Party, by its own wish, a permanent opposition rather than an alternative Government.

The Labour Party is Siamese twins. It is balanced uneasily between its industrial and its political bodies; and there have lately been renewed symptoms of this uneasiness. It was perhaps at its peak in 1926, when the determination of industrial labour to impose its will upon the Government by direct action was only countenanced by political Labour with the deepest of misgivings and the minimum of effective assistance. The recent heart-searchings have, in fact, been a minor echo of 1926. The proposal was recently made by one Civil Service trade union, and promptly accepted by Sir Walter Citrine on behalf of the Trades Union Congress, that the Trade Disputes Act of that year, forbidding the affiliation of Civil Service unions to the Trades Union Congress, should be altered by the direct method of ignoring it; and it has taken most strenuous diplomacy on the part of the Labour movement's political leaders, including for the moment—possibly with decisive weight—that massive trade union figure, Mr Bevin, to secure, first, a withdrawal of the threat, without conditions, and, secondly, the formulation of a tentative solution by which the civil servants will seek industrial but not political affiliation. The sense of strain between the two wings has also been displayed by the protest of Labour politicians against the way in which the new Workmen's Compensation Act was agreed by Mr Morrison with the trade unions, but not with the Parliamentary Labour Party, before it was presented to Parliament; and there is little doubt that, behind the scenes, there is a struggle going on to ensure that, despite the highly important place which the trade unions have come to occupy as consultants of the Government in the making of war-time policy, the strategy and tactics of Labour politics shall in the last resort be determined and implemented by the politicians.

The Labour Party must solve these internal problems if the Conservative supremacy is to be successfully challenged. To rely upon any such unlikely event as the splitting of the Conservative Party after the war would be futile. There is, and has been, a distinct fissure within the Conservative Party between what may be called the Chamberlainites and the rest. Between Munich and the

outbreak of war it was wide open, but it was covered, though not healed, when Mr Churchill—the only man who could have formed an effective third party—undertook the leadership of the party as well as the leadership of the nation. This will be by no means the first time that the Conservative Party has held firmly together despite a marked division within its ranks. Indeed, such a division is almost a tradition, going back to Disraeli and Lord Randolph Churchill. Moreover, the circumstances of war-time coalitions have revealed a fissure, probably as large, within the Labour Party itself, not merely between the trade unions and constituencies, but between those who believe in the policy of coalition and those who distrust it. Almost certainly, there will be no split in either party; the respective machines will hold. After 1918, it was the Liberal machine itself that split; and there was, as there is not now, a *tertium quid* in the shape of an untied party of the Left which had worked for a generation towards precisely this opportunity. This time, there is no effective alternative to the Conservative and the Labour Parties, just as there is no alternative in the United States to the Democratic or the Republican Parties. This is not to suggest, of course, that this situation of restricted choice is entirely encouraging. In the United States, the rigid two-party position tends to leave organised Labour out of account, with unfortunate effects on Labour politics; in this country, on the other hand, it is a decided disadvantage that the party of progress should be tied to organised labour and, by all precedents, unwilling, or at least reluctant, to provide opportunities for other progressive elements in society, such as the more intelligent members of the managerial class, to make a contribution to national politics. It is not the two-party system that arouses doubts so much as the particular two parties between which the post-war elector will have to choose.

Will the Labour Party at last be able in the next decade to take the opportunity which has been open but not taken ever since the end of the last war? In other words, can it capitalise the popular desire for a dynamic advance in democratic policies? Can it prove itself, in practice as well as precept, less cautious than the Conservative Party, less sceptical and less mentally indisposed to the boldness that is the highest form of realism in politics? In short, can it win elections?

The first function of a general election in modern conditions is to elect a leader—a Parliamentary and constitutional leader, but a leader none the less. The second is to express satisfaction or dissatisfaction with the achievements of the Governments. The third is to approve a policy. The core of the votes cast on both sides represents an expression of party loyalty, it is true; and the Labour Party possesses loyalty in abundance. Even in 1931, it held its ground surprisingly well in terms of total votes. But elections are decided by the votes cast by electors who have no specific loyalty to express; and, after the war, the number of these will be larger than ever before, because of the long time that has elapsed since elections and party politics were last in operation. Thus, the task of the Labour Party is to find a leader, or leaders, capable of meeting Mr Churchill or Mr Eden at the polls; and to work out a policy and express a mentality which will prove to the electorate—and, crucially perhaps, to the new intelligent class of managers and professional men, who play so large a part in the affairs of present-day society—that it is capable of governing with greater success, in terms of both national and international realities and contemporary aspirations, than the Conservatives can do. The issue remains wide open. Mr Morrison, modestly but firmly, has put in an entry for the leadership and chosen of his own accord the rôle of stating such a policy and expressing such a mentality. The Party's final answer, in face of the traditional claims of other leaders and the dogged conservatism of the trade unions, has still to be given. There have been welcome signs lately, especially among a section of the rank and file of the Party, that a realisation is growing both of what is wanted and of what is wanting. But it is far from a foregone conclusion that the Conservatives are approaching the end of their tether.

Post-War Currency

THE draft proposals of the British and American Governments for post-war currency arrangements were fully analysed in *The Economist* at the time of their production in April. But it seemed best to defer a considered opinion on their merits until the ground had been more thoroughly explored. In the intervening months there has not only been a considerable volume of public discussion, in America, in Britain, among the other Allies, the neutrals and even in the German press, but there have also been official contributions from the Canadian Government and from the French Committee of National Liberation. At the end of last week, the American Treasury issued a revised draft of its original proposals. This was said to have been drawn up after the consultations that have been going on in Washington; but it is still tentative in nature. The first stage of the discussion can thus be said to be over, and the time has come for expressing an opinion.

In retrospect it is even clearer than it was at the time that the publication of two separate sets of proposals, especially on the same day, has had unfortunate results. An appearance of conflict and rivalry could not be avoided, however unjustified it may have been, and there has been some tendency in both countries (though much more, it is only fair to say, in America than here) to take a stand on national patriotism rather than on the merits of the case. But the publication of two variant schemes has also had another unfortunate effect. It has diverted the discussion—the temperate and expert as well as the clamorous—on to the differences between the two plans. This is a pity, for there is a precedent question of the utmost importance to be decided before either one could be put into force. This is whether any plan of this general nature, for both have a strong basic similarity, will work in the conditions that are likely to exist after the war.

Both plans are based on the assumption that it will be possible after the war to restore substantial freedom of foreign payment (an exception possibly being made for short-term capital transfers) and that the balances of payments of the nations, severally and collectively, will then either be in equilibrium or so close to equilibrium that they can be brought to it by quite minor adjustments. Much, of course, will depend on the rates of exchange which are fixed between the different currencies at the start. The revised American proposals provide that the starting rates shall be those now prevailing, except where they are clearly inappropriate, in which case they shall be "determined by consultation between the country and the fund"; they also provide that, for a period of three years, there shall be "special provision" for adjustments in rates, but that thereafter a change would require a three-fourths majority. This is an attempt to make provision for elasticity, and should be recognised as such. But it does not go very far. Is it likely that appropriate rates could be found in the three-year period by "consultation"? Is it likely that matters will have settled down in three years so completely that the rates then existing can be regarded as appropriate for the long run?

Let it, however, be supposed that the problems of transition are overcome and that a period is entered, not long after the end of the war, when the disturbances to be expected are only those of a normal character. Whether there is any meaning in normality in these days is in itself an open question; but it is reasonable to hope that there will some day be a period when economic relationships will not be directly subject to wars and the rumour of wars. The question to be asked is whether either of the plans—Keynes or White—could be expected to work in such conditions. Both plans, it is true, foresee the possibility of disequilibrium arising; indeed, their central aim is to provide credit facilities for countries which find themselves with deficits in their balances of payments. But both plans also contemplate—they could hardly do

otherwise—that this assistance would be limited and that before a country had exhausted its credit line the necessary adjustments would have been made to bring its balance of payments back to equilibrium. It cannot be emphasised too strongly that both plans depend on this assumption. They will not work unless the nations' balances can be put right by the methods envisaged and quickly enough to keep the borrowings within the limits contemplated.

Some of the problems of international finance after the war can be fairly clearly foreseen. There is, for example, the much-discussed problem of the pound sterling. Unless the volume of British exports can be increased by something of the order of a half, the British international accounts will not freely balance. The problem is not inherently insoluble; but it can hardly be solved either quickly or easily. Much more important than the problem of the pound, and much more difficult to solve, is the problem of the dollar. It has never been easy, ever since the last war, for countries other than the United States to earn as many dollars as they require; but it will be very much more difficult after the war. America's export position has been strengthened during the war, and her requirements of imported raw materials have been greatly reduced by such developments as the growth of the synthetic rubber industry. Without going into a detailed analysis of the prospective American post-war balance, the conclusion may be ventured that the two sides can be balanced only if reasonably full employment is secured in the United States (thus increasing the potential demand for imports) and if the tariff wall is lowered (thus allowing the increased demand to become effective). Can these things be counted on for certain? Full employment requires a large degree of skilled central direction of the national economy. The wartime experience in America is not very encouraging; and the political trend is sharply away from any form of central direction. As for tariffs, there is no visible sign of any willingness to go beyond the existing reciprocal programme, and it is so probable as to be almost certain that the new synthetic rubber industry will have its market protected, to the partial or complete exclusion of natural rubber.

Thus, without enquiring into the situation of the countries that have been ravaged by war, it seems to be very far from certain that either the British or the American balance of payments will be easily brought to equilibrium. But what of the adjustments prescribed by the two plans? Are they not intended for just such contingencies? Undoubtedly they are; but it is difficult to believe that they would be strong enough. The American plan is not explicit about the nature of these adjustments. It does say that countries are not to impose any fresh exchange controls or to devalue their currencies except with the consent, after the first three years, of a three-quarters majority—which is unlikely to be forthcoming save in the most aggravated cases. It can also be taken for granted that the imposition of prohibitive tariffs and import quotas by a deficit country would hardly be in accordance with the intentions of the plan. It would thus appear that a deficit country is expected to make adjustments by a lowering of its domestic cost structure—that is, by deflation. The British plan is more explicit and more liberal; but it too does not go very far. Apart from exchange control on capital (which may exist in any case) and the surrender of gold and currency holdings (which can have an adjusting effect only if it induces internal contraction), the only non-deflationary adjustment it permits is devaluation of the currency—and even there, the devaluation must be limited to 5 per cent every two years, unless the approval of a majority can be secured.

These weapons are not very powerful. Let us imagine not unlikely circumstances. Let us imagine that Great Britain has already incurred a debit in the books of the

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

Fund but is contriving with some difficulty to keep her continuing deficit within manageable proportions. Let us then suppose that there supervenes a sharp depression in the United States leading to a large American surplus on international account. According to the American plan, Great Britain may neither devalue sterling nor impose exchange restrictions, but must, presumably, deflate in step with America as soon as her credit with the Stabilisation Fund is exhausted. According to the British plan, an application may be made for a devaluation of sterling by more than 5 per cent, but it is unlikely that any really substantial alteration would be permitted. If not, deflation is again the only remedy. The British White Paper contains an expression of the unexceptionable statement that because disequilibrium has occurred in the past it need not necessarily occur in the future. That is true; but are the circumstances here envisaged very unlikely? And if they are not, is there not a danger of repeating the gold standard mistake of 1925, and of setting up an excessively rigid system which cannot ultimately be maintained, but which imposes on countries the choice between default and deflation?

The one essential requirement in an international currency plan would therefore seem to be flexibility. As has been suggested above, it is doubtful whether the British plan is flexible enough. The original American plan was very rigid, and the revisions make no effective change. Indeed, it almost appears as if the United States Treasury has been more anxious to meet the views of conservative financiers in Wall Street than of the other nations that would have to work the scheme. This is particularly true of the gold provisions. The original suggestion that one-eighth of each country's quota should be paid in gold was difficult enough for the gold-poor countries to swallow. But the revised proposal that one-half of the quota shall be in gold is the purest phantasy. Much has been heard of what the American Congress will and will not accept, and it is perhaps as well to say with all necessary clarity that there is not the slightest chance of securing for any such proposal the approval of the British Parliament or public.

The revised American draft should not perhaps be taken as the last American word. But the possibility must

be envisaged that the American Government will not depart very far from it. If so, it will be necessary to decide whether the desirability of an agreed scheme, great though it is, should lead Great Britain to accept an arrangement which will almost certainly not work. It is relevant to enquire into the alternative to an agreement. It would not be utter disruption and chaos. The principles of the Clearing Union have for some years been applied within the wide boundaries of the sterling area. The political and economic ties between the sterling countries are certainly no less than they were; each of them finds in the others of the group its chief markets and its chief sources of capital funds or of investment opportunities, as the case may be. Other such groupings may well come into existence, and it ought not to be very difficult to build up a system of currency groups with substantial freedom of payment within each group and controlled—but not restrictively controlled—exchanges between group and group. The French proposals appeared to have something of the sort in mind, and suggested that, between groups, arrangements similar to those made between sterling and the franc in the first winter of war might be possible. There is not the slightest reason why the relations between these different groups and the dollar, or the dollar group, should be relations of hostility or discrimination—unless, indeed, it is hostility and discrimination to suggest that other countries cannot spend more dollars than they can earn.

This would, of course, be a second-best. As Lord Keynes pointed out in the House of Lords, anything that prevents world trade from being fully multilateral is against British interests. Both for this reason and also for the wider advantages that would attach to a successful conclusion to the first negotiations on a specific post-war proposal, every effort should—and doubtless will be—made to reach an agreement. But a system such as has been sketched in the preceding paragraph is a workable alternative; it would not be unduly restrictive to world trade; and it would provide a very large field for multilateral trade. It would be preferable to a system which was fully international but also too rigid to cope with the changes and chances of what promises to be a very mortal world.

NOTES OF THE WEEK

Quebec

The official communiqué summing up the results of the Quebec Conference suggests that the decisions reached were primarily military.

The necessary decisions have been taken to provide for the forward actions of the fleet, the army and the air forces of the two nations.

Obviously the decisions could not be disclosed, apart from such public matters as the appointment of Lord Louis Mountbatten as Commander-in-Chief in South East Asia. But the public was left to make what it liked of the statement that the military discussions "turned very largely on the war against Japan." This may, of course, be designed to bluff the Germans or it may mean that the decisions on the European war had already been taken and only await execution at the appointed time. Nevertheless, it is a little odd. Now surely is the time, if there is ever to be a time, for a knock-out blow in Europe, which to be a knock-out at all, must be concerted. It is for this reason that the absence of any Russian military advisers is rather disturbing. The communiqué gives the assurance that

Full reports of the decisions, so far as they affect the war against Germany and Italy, will be furnished to the Soviet Government.

This, with all respect, is not co-ordinated planning for a joint blow. Possibly the separate strategies of the West and East will coincide, possibly not, but Quebec is not very reassuring. The problem of Russia's absence is more serious from the political angle. It is obvious that political decisions were taken—why else should Mr Eden and Mr Cordell Hull have attended? In any case, the communiqué fore-

shadows one of the decisions—a statement "this week" on the status of the French National Committee. The co-ordination of political strategy cannot be divided into separate fronts. Either there are joint reconstruction plans or there are a lot of divergent, possibly contradictory and certainly unco-ordinated policies. To put an end to this anarchy, the Western Allies must work with all possible despatch for the "tripartite meeting" forecast, not too optimistically, however, in the joint communiqué.

Himmler Takes Over

Just four weeks after the fall of Mussolini, a significant change has taken place in the internal policy of Germany. Heinrich Himmler, Reich leader of the SS, Commander of the *Gestapo*, chief of the entire police and of the Air Defence Security Service, has been appointed Minister of the Interior and General Commissioner for the administration of the Reich. This move comes at a time when the Army is suffering serious defeats on every front, when Germany's main partner, Italy, is trying to get out of the war, when unrest is breaking out in all the occupied countries, and when in Germany itself the people are exposed to the terrific strain of constant air raids, and the large-scale evacuation which these air raids have entailed. Himmler has not been hitherto a great political figure. He has not written books, he has not made speeches, he is not a well-known broadcaster. He does not stand for any particular trend in German policy or thought. He has been known to the Germans simply as the sinister and omnipotent head of the secret police. This is certainly the most important thing about

him, and the most important thing about his new appointment. He controls the most privileged part of the Nazi party, which is itself the core of the totalitarian state. His new position gives him the power to achieve an absolute concentration of all that is most effectively Nazi in Germany. He controls the secret police, the state police, the SS police divisions and, if necessary, he can use the *Waffen SS* divisions, although these are still part of the *Wehrmacht*. The men in these organisations are the picked men of Nazi Germany. They have been trained to brutal efficiency, ruthless discipline and unquestioning loyalty to the Fuehrer. They can be used as a terrifying weapon of oppression, and will be used relentlessly against any sign of mutiny on the Home Front. The degree to which their action could be effective may be judged from the doings of June, 1934. The SS was used to crush the opposition led by Captain Roehm, behind which all the parties in opposition to the Nazis had grouped themselves. Victory went to the SS, and since that time much thought and effort have been spent upon making it a far more efficient instrument of oppression. Himmler will not hesitate to use this overwhelming concentration of power to maintain the regime with efficient brutality. To this extent his appointment represents a rallying of the power of the Party such as Mussolini could not hope to achieve. There will be no insensible slipping of power from Hitler to a General and from a General to a business man or a resurrected democrat in Germany. The Party under Himmler is ready to fight anyone, including the Germans. Yet as a concentration of force, it can only be temporary. The SS has never had any programme. Racial superiority, anti-Semitism and Fuehrer worship will not sustain the German people during a winter of defeat and bombing with the certainty of ultimate disaster beyond.

The Air War

While the process of transforming Rome into an "open city" is apparently going steadily forward, the destruction of Berlin by bombing has presumably begun. At any rate, the raid carried out by the RAF on Monday night, in which 1,700 tons of bombs were dropped in 50 minutes, was regarded in both Germany and Britain, as well as in other countries, as the start of an operation to devastate the German capital after the example of Essen and Hamburg. Berlin is farther away than Essen or Hamburg and the risk of losses, against active, skilful and experienced defences, is correspondingly greater; Monday night's raid cost 58 heavy bombers, which was probably nearer to 10 per cent of the attacking force than to the less than 5 per cent which is customary. This is fully appreciated by the British public. What is not so clearly understood is the aggressively apologetic air which is tending to creep into the direct, and still more into the indirect, propaganda of the Air Ministry. The value of these great raids; the damage done above all, to the enemy's war effort; the smallness of the losses in relation to the aircraft used; the bomb-load carried; and the results achieved—all these evident and important facts are being hammered home with such pervasive and ceaseless repetition that it almost seems as if the publicists of the Air Ministry were trying to convince a nation solidly opposed to bombing of the error of its views. This is surely not the situation. The people know very well that the Allied mastery of the air is a decisive factor; they have welcomed enthusiastically the increasing entry of the American Air Force into the battle. They also know that they have neither the information nor the competence to adjudge on the difficult issue of what proportion of total air power should be used for independent bombing and what proportion for military or naval co-operation, or, say, on the extent to which the heaviest bombers by concentrating on military targets at the moment of invasion could effectively co-operate themselves with other arms; and these are probably the set of specialised and inter-service problems which Air Marshal Harris's restive publicists have most in mind. The people lack the facts. They will judge by results, and not by scattered facts and figures such as comparisons between the enemy's curtailed air strength and his huge losses, which never work out right, and, though they are true in themselves, can never tell anything like the whole story. The people of this country are solidly in favour of this programme of annihilation by bombing, on condition that it will shorten and win the war and save lives—not just British lives but total Allied lives, including Russian soldiers and civilians, a calculation which is too often forgotten by the pundits who, in praise of contem-

porary strategy, simply compare British lives lost in four years of this war and the last. The general view is in agreement with the opinion of the Prime Minister that "the experiment is worth trying," as apparently it is being tried. Sometimes, it is true, members of the public do openly and honestly recognise the awful nature of the new weapon used in this way and on this scale. But they do so not to oppose the bombing policy or to draw any unfavourable distinction between German bombing which failed, and Allied bombing, which is succeeding, but to express the undoubted fact that no pleasure is taken by the majority of British people in the annihilation of lives and property, wherever it may occur and no matter how inescapably necessary it may be—and to emphasise the responsibility of the makers of strategy to make certain that the promised results, which would amply justify the means chosen, including the devotion of a phenomenal proportion of the country's economic resources to the manufacture of aircraft and accessories, will be actually forthcoming.

Victory Election

Another Dominion Prime Minister has reaped the reward of the past year's Allied victories, and of the contribution made by his country, under his direction, to the total effort of the British Commonwealth. It seems likely that Mr Curtin, when the complicated process of counting and transferring votes, including those sent in by voters serving overseas, has been completed, will have obtained in the Australian House of Commons, like General Smuts in the South African Parliament, the support of some two-thirds of its members. Indeed, Mr Curtin's triumph has been more complete and more unexpected in its magnitude than that of the Union Premier. Not even his best friends had forecast that he would transform his dependence on the votes of one or two Independent members of the House into the biggest majority ever possessed by a Labour Government in Australia; and still less that in the Senate, in which the Opposition had a small majority before the election, he would obtain a clear majority, which will carry with it control of the Senate for at least another six years. In an article elsewhere in this issue it is suggested that, in contemporary parliamentary elections, votes are cast not so much in favour of policies or principles as in support of particular personalities, and in judgment of the achievements of the retiring Government; and this is especially the case in wartime (or immediately post-war) elections which inevitably take on a khaki hue. The mandate which has been given so overwhelmingly by the people of Australia has been given to Mr Curtin for what was done during the months of the Commonwealth's greatest danger rather than to Socialism or the long-term programme, still vague, of the Australian Labour party; with an unmistakable voice they have approved the work of Mr Curtin's Government in making Australia strong and keeping it safe. In part, too, however, the sweeping vote was an indictment of the Opposition—although it should be said that both Mr Menzies and Mr Fadden had tried to do before Pearl Harbour what Mr Curtin was enabled to do afterwards by the rip-tide of events. Shrewdly, Mr Curtin took his election stand on the defence and mobilisation of Australia since the aggression of Japan made defence and mobilisation imperative; and, foolishly, the leaders of the Opposition fought him on his chosen ground, vying with one another to disparage the methods and the motives of his unquestionable achievement. What time they had to spare from this campaign of abuse—of a kind not by any means uncommon in the vigour of Australian politics—they devoted mostly to disparaging one another. The formal plea which Mr Fadden made for the formation of a National Government was made ludicrous by these strange proceedings; and though Mr Curtin's majorities have come as a distinct shock even to his supporters—and, it may be hazarded, to Mr Curtin himself as well—their extent could almost be explained by the mistakes and divisions of the Opposition, if the record of successful defence and Pacific victories was not in itself a sufficient explanation.

Australia's Task

Dr Evatt, who is regarded by many shrewd observers as the leading Australian statesman of the next epoch, chose the morrow of his party's electoral triumph to set out in precise if broad terms the responsibilities to Australia and the world, which Mr Curtin and his colleagues must under-

take by virtue of their victory. Because of the circumstances, because of Dr Evatt's assured weight in Australia's counsels, and, above all perhaps, because of the particular problems which the Minister for External Affairs put first in priority—including, notably, the question of immigration—the statement was of the greatest importance. It is evident that two main tasks confront Australia. First, there is the need to realise its commitments as a world power; to recognise, as it has done during the war, both the remarkable extent and the distinct limitations of what the Commonwealth can do to help itself; and to work out the ways and means of discharging its inescapable obligations in association with the other powers, possessing similar interests, to which Australia must look for aid. Secondly, there is the task of economic self-development on a basis that will be sound, both nationally and internationally; this is vitally connected with the first task, inasmuch as a nation's ability to defend itself and to participate with other nations in collective security depends upon the economic contribution which it can make in terms of output and manpower. Mr Curtin has already told the world of Australia's determination to play its proper positive part in world affairs, and called for the setting up of permanent Imperial machinery of consultation and decision to register the common interests and aspirations of the British Commonwealth and the equal status of all its members. Dr Evatt's survey went straight to the heart of the matter: Australia

cannot afford again to have defence areas so weak as to attract an aggressor and thus preparation in common is the one guarantee of security for all.

Australia's "frontiers," like those of the United States, span the Pacific; they cover areas in which China (which Dr Evatt did not mention), Holland, France and Portugal, as well as the United States and Britain, are concerned; and they can only be protected, first, by the disarmament of Japan, and, secondly, by the establishment and maintenance of a sufficient pool of collective force in "a great south-west Pacific zone of security." And, for Australia to play its part, "there must be a sufficiently powerful Australian regular army and an efficient Australian navy and air force." The basis will be Australia's own economic arrangements. Dr Evatt listed the prime requirements: full employment, an increase in the birthrate and "suitable" immigration. For the first he looks to industrial expansion in order to supply the goods which will provide better standards of living for the 130 million native Pacific people "at present under Japanese domination"; and for the third to the continuation of "the principle of a White Australia."

Population in the Pacific

Dr Evatt's programme of collective security and national development is primarily framed to prevent a second aggression in the Pacific area by a non-White people; and, within that context the programme is constructive and realistic, provided that its limiting factors are fully recognised. The first is that the swarming of the non-White peoples in the East arises from the fact that their numbers are markedly on the increase, while those of the White peoples are becoming stationary and approaching a decline; the fact that there will be very few men and women of the right hue to spare for emigration to Australia will make it far from easy to fill the Commonwealth's empty spaces, especially if the traditional opposition of the Australian Labour Party to the competition of "cheap labour," of whatever colour, remains unmodified. In the context of population pressure from non-White peoples, the promise to assist in raising native standards of living in the crowded Pacific islands is shrewd and sound. The second point is that, though the development of Australia's industries is both desirable and inevitable, the strength of its economy and its standard of living will continue to depend mainly, as in the past, on the remarkable productivity of its primary production. Neither strategically nor economically has Australia anything to gain, and much to lose, by a policy of autarky; the international division of labour, in both defence and commerce, is the Commonwealth's greatest safeguard.

Jugoslavian Crisis

The Jugoslav political crisis has taken an ugly turn for the worse. Ever since the first Cabinet crisis in June, which turned on the problem of the future form of Jugoslavia—should it be unitary or federal?—continuous nego-

tiations have been carried on to secure a firm basis of agreement between the three national groups. The real difficulty seems to be distrust—the distrust felt by the Croats and Slovenes of the ultimate intentions of the Serbs. That pan-Serbism is strong both in London and at General Mihailovic's headquarters is not in doubt. The pan-Serb activities of the Yugoslav Minister in Washington are not reassuring. In these conditions, the Croats and Slovenes demand guarantees, and do so all the more urgently because of the proposed shifting of the Government to Cairo. Possibly the Serbs feel that the Croats and Slovenes are all being very tiresome in their lack of confidence. But the importance they attach to guarantees should make the Serbs all the more anxious to meet their case. Under the Trifunovic Ministry negotiations continued, and it seems that agreement was almost reached on the central issue—the federal reorganisation of Yugoslavia. Then, over the week-end of August 10th, the Trifunovic Cabinet resigned and a non-party Government of "officials" took its place, with M. Puric as Prime Minister and including M. Milicevic, M. Rasic, General Zivkovic and General Mihailovic. This is the Cabinet which King Peter proposes to take to Cairo early in September. There are a number of things to be said about it. First, it seems to have been brought into being by the fiat of the young monarch, a procedure which recalls alarming features of his father's regime. Next, it is not so much non-party as anti-party. It marks the end of the attempt to reach a solution by methods of democratic negotiation between the different groups. Next it marks in its personnel a return to what might be called the Stoyadinovic era. Most of the leading figures were connected with the post-Alexandrine period of dictatorial rule. General Zivkovic even assisted in the liquidation of democracy in 1929. Incidentally, most of these men are strongly pro-Serb. If this unrepresentative group goes with King Peter to Cairo in order in due course to return as a Government to Yugoslavia, then there are two dangers. One is that Britain's reputation as the defender of constitutional democracy in Europe will disappear; the other, that the Jugoslavs may conceivably turn from fighting the Axis to fight their invading "government."

Manpower Changes

Before the summer recess, Mr Bevin told the House of Commons of some of the measures he proposed to take, in order to meet the industrial manpower requirements which the latest phase in military strategy dictated. He said that priority would be given to aircraft production and coal-mining, and that this would involve consequent adjustments in the supply of labour to other forms of production. The Minister of Labour's latest announcement about the changes in the call-up reflects the same need for adjustment in the supply of men to the fighting services. The Royal Navy, Royal Marines and the air crew branches of the Royal Air Force and the Fleet Air Arm require men most; and, for the time being, voluntary recruitment for the Army is to be suspended, except for men who intend making it their career. Men available for military service will be directed into the Navy or the Marines, unless they express preference for air crew service or underground coal mining. In this way, coalmining is to be placed on a level with military service. The Government is launching a recruitment campaign. It is estimated that, by March, 1944, the labour force will have dropped to 690,000, and the aim is to bring it up to 720,000, which would meet estimated coal requirements. Before long Mr Bevin will almost certainly have to exercise his powers of direction.

Labour Turnover

Changes in the strategy of the war and in the programme of output are making wholesale changes in the distribution of manpower inevitable at a time when the nation's labour resources are already seriously strained. Since he can no longer bring up reinforcements, the Minister of Labour has continually to be moving the existing pieces on the board to more advantageous positions; and it is essential that this should be done with the maximum of smoothness and the minimum of time lost in turnover. The obligation which was placed last week upon all employers not already obliged to do so to report to the Minister of Labour the termination of employment of men between 18 and 64 and women between 18 and 59, if they were engaged for 20 or more hours a week, is an attempt to deal

with this immense turnover problem. Some idea of the scale of the problem can be gathered from the survey of manpower just issued by the Minister's Parliamentary Secretary (the details of which are shown on page 280). Within the context of total mobilisation vast changes are taking place affecting a very considerable proportion of the workers mobilised. Some are working shorter hours, others longer hours. A large number are, or will be, on the move. Great factories are being closed down, and the biggest industry of all, aircraft production, is being expanded. Inevitably, there are very many men and women in fact out of work for brief periods while they move to new stations. The latest unemployment figures (shown in detail on page 284) provide a further indication of the extent of mobilisation. On July 19, 1943, there were 71,129 unemployed, compared with over 100,000 in July, 1942. These figures are, of course, deceptive. For one reason or another, they do not cover most of the labour which is being transferred from one form of production to another. Workers in industries covered by the Essential Work Order who are moved to other industries, or to other branches of the same industry, covered by the Order, are not to be registered as unemployed between jobs, and these number 8 millions. Moreover, the unemployment figures, which are now only published quarterly, could not in any case show short-term movements. It is these factors that account for the apparent discrepancy between reports of temporary local pockets of unemployment and the official statistics which, while they do measure quite genuinely the extent of real unemployment, do not give any picture of the actual turnover.

Fees in Secondary Schools

The Government has already decided that in all secondary schools for which local education authorities are responsible education shall be free. The question of grant-aided secondary schools, whether those who receive their grant through the local education authority (generally known as aided schools) or those who receive it direct from the Board of Education (the direct grant schools), had been left for further consideration and for the recommendations of a Special Report of the Fleming Committee on the public schools. This report has now been published (price 6d. net). On the face of it, the question it had to decide seems a small matter; it would appear obvious that if fees are to be kept in one type of secondary school and abolished in another, the existing cleavage between the various systems of secondary education would be intensified. On the other hand, if the fees are abolished in the grant-aided schools, they will have to rely for their existence entirely on their endowments—if they have any—and on grants from public funds, which means a correspondingly increased measure of public control. To many people this will involve no sacrifice. But the Fleming Committee recognises that the loss of their independence may mean a lowering of educational standards through the imposition of a common standard of uniformity. Only the prejudiced will deny that, taken as a whole, the grant-aided schools are better schools than those provided and maintained by local authorities, and it would be no service to education if the result of providing secondary education for the masses was the lowering of the standard in the better schools to the level of the others. The majority of the Fleming Committee resolve the dilemma by recommending that tuition fees should be abolished in all grant-aided schools, but that instruments of government should be adopted by the LEAs and the Governors, defining *inter alia* the functions of the governing bodies, which should include the appointment of the headmaster in consultation with the LEA, and the relationship between headmasters and the governing bodies. Similar constitutions should, they recommend, be adopted for maintained schools as well and even for technical and modern schools. The present list of direct grant schools should, the majority report recommends, be revised: in future, it should include only those schools which serve a wider area than their own locality and which have existed successfully alongside the provided secondary schools. The final recommendation, in the attempt to preserve the independence and traditions of the grant-aided schools while making them accessible to all, is that a proportion of the available places should be reserved for the Governors to award at their discretion, provided that the pupils can prove their fitness and the Board is satisfied with the selection arrangements.

The minority report, whose seven signatories include the chairman, agrees with the importance of maintaining the standards and traditions of the grant-aided schools, but argues that it would be impossible to secure this if all fees were abolished. It recommends that in direct grant schools the Governors should award at least half the available places and that such places should be fee-paying. It argues that if a parent wishes to send his child to a grammar school, and can afford to, he should not be compelled to send him to a modern school. This argument is not unreasonable, but it assumes that there will be sufficient places in the grant-aided schools to accommodate all the children that the LEA wishes to send on grounds of merit, as well as those whose parents can pay. Since, however, extra accommodation cannot be provided overnight, selection will have to be on merit only, whether it is carried out by the Governors or the LEA. But the divergent viewpoint is interesting as a foretaste of what will happen when the Committee's full report on the much more difficult question of the boarding schools and the public schools is published.

The Higher Civil Service

As the end of the war approaches, the expected campaign against "bureaucracy" is under way in the expected sections of the press. The game of baiting the civil servant is always popular, and at the moment it serves the purpose of those who wish to see a radical diminution in the powers of the state after the war. In this atmosphere the publication of a lecture given last February by Mr H. E. Dale on "The Personnel and Problems of the Higher Civil Service" (Barnett House Papers, No. 26. Oxford University Press, 1s.) comes like a breath of fresh air. Mr Dale was concerned in his lecture only with the tiny group of civil servants at the top who exercise a real and direct influence upon policy. They number less than 500; they make up perhaps a third of the administrative class of civil servants; and they amount to about half of one per cent of the total Civil Service. But it is they, their qualities and their work, their virtues or vices, which largely determine

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees, alone among British manufacturers, pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

whether those who denounce the Civil Service as sluggardly and timorous, as well as those who accuse it of overweening ambition, are right or wrong. Mr Dale starts without any prejudices and ends, therefore, with some quite sensible conclusions. The measured tempo of Civil Service work he puts down in the main to the influence of Parliamentary control, and not to the inefficiency and slackness which the newspapers delight in proclaiming. Civil Service business goes slowly, and there is a diminished willingness to take risks, because of the vigilance of Parliament, which may be expected to take up any point, however tiny, at any moment for major criticism.

Timidity, rigidity, slowness of decision and action, red tape, evasiveness, fear of responsibility—such imputations are the convex, so to speak, of the concave represented by close obedience to law and to the will of Parliament, loyalty to Ministers, prudence, moderation, impartiality, skill and discretion in speech and writing, the desire to meet the varying demands of the public and the House of Commons.

Mr Dale asks in a significant passage what would happen to the affairs and procedure of any commercial or industrial undertaking which was suddenly subjected to the supreme and day-to-day control

of a committee of 200 elected shareholders, of which eighty will be bitterly opposed to you and your policy and will be perpetually endeavouring to turn you out and substitute a Chairman and Board chosen from among themselves.

He suggests that the directors and managers of such undertakings would be worked much harder than before; that the business of the overriding committee would normally take precedence of everything else; that business would be delayed for fear of provoking discussion in the committee; and that both directors and managers would be less willing to take risks in their enterprises. But Mr Dale does not believe that all is for the best in the best of all Civil Services. There are some failings, in his view, in the present personnel at the top. He acknowledges the intellectual ability, integrity and industriousness which are universal in this group of administrators; but he finds a lack of "vitality and nervous energy" and of the understanding of the ordinary lives of ordinary people. He puts this down in part to social and educational deficiencies and in part to the strain, first, of examinations and, then, of over-hard work. His immediate proposals are that higher civil servants should be worked less hard and that, at the ages of 30 and also 45, they should be given long periods of absence to work or study in other surroundings. These suggestions do not, of course, go to the heart of the matter, though they are valuable and shrewd. But Mr Dale is surely right when he says, in effect, first, that Civil Service procedure is dictated by Parliamentary control; and, secondly, that the so-called problem of the Civil Service is really a problem of education.

Uneasy Europe

This has been an awkward week for the German masters of Europe. In Italy the agitation for peace continues; in Croatia many of the Nazis' *Ustasi* supporters have gone into hiding; and in Hungary—although the first shock of Mussolini's fall has somewhat worn off and there is no more talk of the need for a "democratic revolution"—the official line is to dissociate Hungary as far as possible from the war between the Great Powers. They deny that any real help is going to Germany, and, in fact, limit it in every way they can. Finland has gone so far as to put out definite, if unofficial, peace offers. The Finnish Trade Union leader, M. Vuori, established contact in Stockholm with Mr Arthur Deakin, of the Transport and General Workers' Union, and gave him the terms on which the Finnish Trade Unions would like to see an armistice with Russia. If the satellites are uneasy, the occupied peoples are rampant. In France desperate attempts are being made by the Germans and the Vichy authorities to compel the handing over of all arms. The death penalty is to be imposed and there is talk of setting up summary tribunals for the purpose. This is a direct consequence of a flare-up in partisan fighting in Savoy, and there is evidence to suggest that it is spreading to the centre of France. In parts of Thessaly and Macedonia, Greek guerrillas seem to be in complete control. They are continually at work raiding and harassing the Germans' difficult communications down the Vardar Valley and the campaign will probably be intensified now that the Chief of the

Patriot Armies has gone to Cairo to consult with the Greek Government. The chief disturbances have, however, come from Germany's model province—from Denmark, which has enjoyed a very special status in the New Order as a sort of model of how beneficial and politically innocuous German occupation could be. Apparently the Danes have not found it so. Sabotage has increased enormously in recent months and the Germans are putting pressure to bear on the Scavenius Government to get its co-operation in handing over saboteurs to court martial. One effective form of sabotage with which the Germans seem powerless to deal is the strike. When the port workers at Esbjerg struck the Germans had to give way, and at Aalborg a determined strike compelled the Germans to lift the state of siege. At present the centre of disturbance appears to be Odense, Denmark's third largest city. Here a number of German soldiers have been killed and determined efforts are being made by the Danes to prevent the railways on the island of Fyen from being used for an increased traffic in German troops and war materials. The Allies have still to fling in the torch, but the Germans cannot fail to know that they are sitting on a powder magazine.

Indian Lull?

The centre of gravity in Indian affairs has shifted, for the moment, from war and politics to economics. Rightly or wrongly, the danger of a Japanese attack is now taken to have been removed; the mobilisation of an Allied offensive is steadily proceeding, but there is no sign yet—apart, perhaps, from the emphasis laid at Quebec on the war against Japan and the appointment of Lord Louis Mountbatten to command in South-East Asia—that the crucial campaign to recapture Burma is likely to be opened at any very early date. Politics are in abeyance, while the two sides, British and Indian, ponder upon possible new gambits to end the impasse that followed the failure of the Cripps Mission. In these circumstances inflation and food supplies are the reigning considerations. The price of rice in Bengal has risen sevenfold in a year. The combination of high employment and earnings with serious local shortages, not only of food, has brought about grave distress and considerable dislocation in a number of districts; and the situation has been exacerbated by chronic hoarding of money as well as food, by racketeering of almost every variety, by transport difficulties and by the inevitable confusion of central, provincial and local jurisdictions in a continent with 400 million inhabitants. The food position in Bengal has recently been reported to be particularly bad, and a few of the inhabitants of Calcutta have collapsed the streets from starvation or exhaustion. It would be shortsighted, simply because for a time there is apparent a political lull, to regard this extremely disturbing state of affairs as having no political significance. A great deal depends, when the process of seeking a political solution is resumed, on the apportionment of blame and responsibility between the inescapable exigencies of wartime, the timely failure of the rice harvests in Bengal, malpractice and maladministration. So far the attempt to pool food supplies over very large areas and to bring all food grains into the pool, which is obviously the right policy, has been very much impeded by provincial and local reluctance and by the absence of overriding central authority. Both at the centre and in the provinces the men in charge are Indians, as are the speculators and other persons who are obstructing fair and effective distribution in the markets. But there is no doubt that the responsibility for success, failure will be laid by the Indian politicians upon British shoulders; and expediency as well as justice and human demands that nothing should be left undone, in India elsewhere, to increase the supplies of food available to guarantee its prompt distribution to those in want. Authority must be asserted with the utmost dispatch.

The TUC and the War

One section of the annual report of the General Council to the Trades Union Congress, which meets in Southampton on September 6th, is devoted to a review of the Council's relations with the various Government departments concerned with the prosecution of the war during the twelve months. Consultation at the top between the Government and the TUC is, of course, close and frequent. Looking down, the position is apparently not regarded as so satisfactory.

factory. In its 1942 statement, the Council had reported that the Central Joint Advisory Committee to the Production Executive had "rarely been consulted by the Government" and had held only five meetings since its formation, and the hope was expressed that the new National Production Advisory Council to the Ministry of Production, which replaced the old Committee, would prove more successful. This hope does not seem to have been justified. This year, the General Council reports that "they cannot conscientiously state that it [the NPAC] has been as useful as they had hoped it would be because . . . its advice on production difficulties is seldom sought." It also considers that there is "scope for considerable improvement" in the machinery of the Ministry of Production and its Regional Boards, as reconstituted last summer. The TUC is more satisfied with the progress made at the lowest level, that is, in the establishment of works production committees, where the problem is one of collaboration with managements rather than with the Government machinery; but it reports that difficulties have been encountered in securing recognition for the work of the trade union district production committees. The difficulty all along has been that the Ministry of Production was set up too late in the day to exercise any real co-ordinating influence in these matters, though it must be recognised that the TUC's comments give only one side of the picture and its criticisms are negative rather than constructive. It is not surprising to find that the machinery for joint consultation with the Ministry of Labour, which was established at the very beginning of the war, has been more effective—this is, moreover, Mr Bevin's Ministry. The Joint Consultative Committee has dealt with the numerous problems arising from the mobilisation of labour: transport and accommodation for transferred workers; absenteeism; the Essential Work Order; reinstatement; part-time work and out-work; national arbitration. Similarly, the trade union committees attached to the Board of Trade and the Ministries of Food and Home Security have given valuable advice to the respective departments on such problems as clothes rationing, extra rations for manual workers and fire-watching. The General Council's survey of its war activities, while it shows that there is perhaps room for closer co-ordination in matters of production, conveys some impression of the very close relations now existing between the trade unions and the Government, and of the vital part which trade union co-operation has played in the conduct of the war.

The Law and Strikers

One item is missing from both the agenda of the Trades Union Congress meeting and the report of the General Council. This is the important question of prevent-

ing strikes. At present strikes are illegal without notice and arbitration; but in the main it is the trade unions and not the law—which is astonishingly seldom applied—that see, or are expected to see, that the workers' bond is kept. No doubt the unions have a tremendous record of success in doing this; their successes are not set down and made public; and despite the very marked increase in labour disputes during the past year or eighteen months the war period, in spite of the strain of four years of mobilisation and effort, still compares favourably in this respect with the last war, or with peacetime periods of very high activity. This is partly due to the concession, among many other concessions, of a guaranteed pay-week to millions of workers and partly to the continuous co-operation of the trade unions. But the failures of the trade unions do go on record, and they seem always to happen, however small and brief, at key points in war industry—coal, engineering, aircraft manufacture, transport and, the latest example, the docks. The Liverpool dock strike is fortunately now over. It was unofficial, that is, the trade union did not countenance it; but it was not prevented. The strikers came out in sympathy with 34 dockers who, because they refused to work overtime, were suspended—quite correctly, according to the existing agreements; and the strike ended a week ago with the reinstatement of the suspended men and a promise from the Ministry of War Transport to investigate the dockers' grievances. There is, of course, no smoke without fire. A list of the stated demands of the dockers, including an investigation of the entire dock labour scheme, an increase in basic wages and pay-as-you-go income tax, as well as the reinstatement of the 34 men, shows that many things are rankling in the Liverpool docks; and an impartial and intelligent inquiry may be overdue. But the point is that there should have been no strike. It was the union's job to prevent it, grievances or no grievances, and to get the grievances dealt with by the proper means without permitting the dislocation of dock work at a critical moment. If the answer to this is that the union tried and failed then the answer to that, in turn, is that, if the unions cannot impose lawabidingness on their members in all critical cases of dispute, the courts must do so, with the utmost rigour.

Shorter Note

The largest Aleutian island, Kiska, has been occupied by the first joint operation of Canadian and American soldiers, after the preliminary blasting of the island by American bombers had driven the Japanese out. For the first time, too, a Japanese position has not been defended to the last man. Allied control of Attu had already cut Kiska off from its sea links with Japan.

AMERICAN SURVEY

Rift with Russia

Newspaper and radio commentators this week have been more deeply stirred by the withdrawal of M. Litvinov from Washington than by the Quebec Conference. M. Litvinov has been regarded in Washington as the embodiment of Russian collaboration with the Western democracies. His return to Moscow at this time has caused an uneasiness that is not to be allayed by soothing statements to the effect that it has been long expected or that it is well known that the Kremlin is short of old experienced hands. The isolationist press is already making mischief by suggesting that this is a prelude to a separate Russian peace which will stagger the complacent conference at Quebec. More responsible journals are regretting that nothing seems to be done to arrest the drifting apart of Russia and her Western Allies at the very time when solidarity is most needed. There is an under-current of irritation that the Russians do not appear to appreciate what a contribution has been made to the common cause by the Anglo-American campaign in the Mediterranean or by the day and night bombings of Germany's nerve centres. The pressure of a disturbed public opinion is bound to have its effect upon the Administration.

The Two-Thirds Rule

The provision of the American constitution which requires the ratification of treaties by a two-thirds majority of the Senate is undergoing a certain degree of reinterpretation—that process by which the Constitution is kept elastic and more or less in tune with a changing world. In meetings between a sub-committee of the Senate Foreign Relations Committee and the State Department, to discuss American participation in post-war relief and rehabilitation abroad, a compromise has been suggested to avoid the necessity of invoking the two-thirds rule. It is that piecemeal "agreements" on international matters should become effective by a mere majority vote in both houses. This is halfway between the contention that all technical conventions should be considered treaties and require approval by two-thirds of the Senate and the other extreme position which would regard them as purely matters for executive action. If Congress concurs in the proposal, this ingenious device may smooth the way for an American share of international responsibility. But it will have to be employed with discretion. While there is a substantial body of opinion in the United States which believes wholeheartedly that the two-thirds rule gives an obstructionist minority undue power,

and tends to emasculate treaties and paralyse the executive by the mere fact of its existence, any wholesale attempt to interpret away the Constitution by this easy and tempting subterfuge would crystallise every faction's opposition to an alarming degree. The ideal solution would be to see the two-thirds requirement eliminated by constitutional amendment. There are optimists who believe that such an amendment could be successful in the near future. It would have to be submitted to a convention of the states; yet if there were immense public pressure for the step this would not mean inordinate delay. But it is difficult to believe that such popular demand exists, and it is only too easy to foresee what a rallying cry could be made of an attempt to modify the Constitution in order to make more certain American participation in a new international order. The value of these recent state department conferences with representatives of the Senate seems to lie more in the precedent of active and timely concert between the executive and the legislative branches than in any hope of circumventing or amending the Constitution on a large scale. In this effort no one on the executive side is more likely to succeed than Mr Hull.

More for Civilians

One of the notable points in Mr Byrnes' speech last week was the authority he gave to the belief that some essential supplies for civilians will be increased in the near future. The war programmes, he said, had been subjected to a critical review, the result of which was to suggest that, without lessening the war effort, there was room for an improvement in civilian supply. The pressure in this direction has been growing this year. It prompted the proposal for an independent Office of Civilian Supply, and stimulated Mr Nelson to set up an enlarged office of that character within the War Production Board. On June 9th, steel allotments for farm machinery were increased to permit the manufacture of 80 per cent of 1940 production; concentration was abandoned; and no limit was placed on the production of spare parts. The manufacture of ice-boxes, alarm clocks, pressure cookers to preserve the vegetables from Victory gardens, and radio tubes has been increased. In the last week or two, WPB has been increasing its efforts to supply steel for such essential civilian uses as farms, the railroads and warehouses. Prospects are good for more irons and washing machines to take part of the load from commercial laundries, which, particularly in war production centres, are having to ration their customers to three shirts a week, to slash special services, and revert to the earlier custom of delivering the wash rough dry. Steps to avoid breakdowns in essential civilian services, whether they are railroads or laundries, are direct contributions to an efficient war effort. What is less reassuring is the line Mr Nelson took last month on textiles. Announcing a plan to increase textile production (where it would not interfere with the war effort) and to improve distribution, he declared that if there were co-operation from consumers this would make rationing or strict regulation of clothing unnecessary. In view of the fact that the bottleneck in textiles is manpower, an increase in production hardly seems possible without some impingement on war production; and if the aim is merely to avoid rationing, rather than to remedy a condition of desperate shortage, it is a confession of lack of confidence in the rationing machinery.

Sanctions at Home

The War Labour Board, which at one time looked like following its predecessor into oblivion, has come out of its encounter with the formidable Mr John L. Lewis with a drastic new set of sanctions. The anti-strike Act, passed over the President's veto, empowered the Labour Board to prescribe terms and conditions governing the relations between unions and management in disputes brought before it. In a letter to the Chairman last week, Mr Roosevelt made it clear that, when compliance to a Board order must be enforced upon a recalcitrant union, the plant may be taken over by the Government and all benefits, privileges and rights of the union, particularly checked-off dues (i.e., the collection of union subscriptions by the employer) may be withheld until the union shows its willingness to co-operate. Dues will be held in escrow until the union is restored to grace, when they will be returned. Sanctions against employers, which have already been put into effect, though not heretofore purely at the discretion of the Board, include Government seizure of plant, and with-

drawal of war contracts, priorities, transportation and fuel, when this can be done without damaging the war effort. Mr Roosevelt was at pains to point out that, of the more than a thousand disputes disposed of by the Board during the past 18 months, only seven had to be referred to the President for persistent non-compliance. Of these the two most notable and outstanding cases are those of Mr John L. Lewis, on the labour side, and on the employers' side, the US Gypsum Company, which has refused to accept the check-off and the "maintenance of membership" clause (i.e., a clause providing that any worker who is already a member of the union must maintain his membership as a condition of employment—the last step before the full closed shop) recommended by the Board. The test with Mr Lewis will not be long delayed. Mr Ickes has already announced the imminent return of some mines to their owners, despite Mr Lewis's threat of a renewed stoppage if the Government did not continue to control the mines. And the Labour Board has invited the attendance of Mr Lewis and the anthracite operators at hearings to determine a new contract in view of the fact that 20 weeks of negotiation have brought them no nearer to agreement. At the same time the pill has been somewhat sweetened by an order establishing a 48-hour week in the mines, which adds nearly \$10 a week to the miners' weekly pay envelope.

Picketing Pegler

In principle the picketing of a journalist by a union which disapproves of his opinions has little to recommend it; but it is difficult not to sympathise with the members of the National Maritime Union who are at present engaged in picketing the *New York World-Telegram* against the anti-labour column of Mr Westbrook Pegler. According to the banners of the pickets, "Hitler torpedoes us at sea—Pegler torpedoes us at home." A letter from the union goes on to argue, with substantial truth, that Mr Pegler attacks not only the seamen's union, but all labour, and sows confusion and creates disunity at home. Mr Pegler, formerly a sports writer, has built up a considerable reputation as a political columnist, and in recent years particularly by his attacks on graft, corruption, and racketeering in labour unions. He has had considerable success in uncovering and bringing to an end glaring abuses, especially in AFL unions. He represents in an illiberal form the great old muckraking tradition of the American cities. Not all his protests that he is really in favour of honest labour unions, and only bent on rooting out their abuses, however, carry much conviction that he is not basically anti-labour. However, picketing in New York is not likely to have a greatly deterrent effect on a columnist syndicated across the country. The *World-Telegram*, which prints Mr Pegler on the same page as Mrs Roosevelt and Mr Raymond Clapper, has announced its intention of continuing his column, "to record his own opinions." It is probably also true that the union's resort to direct action will only give Mr Pegler an agreeable and stimulating illusion of martyrdom and a useful amount of free publicity. Not long ago he was initiated into one of those New York clubs which prescribe an ordeal by whimsy for new members. It was arranged that the waiters downed tureens when the soup was served him; the orchestra refused to play, but provided hideous disharmonies throughout the meal; and an impersonator of Mrs Roosevelt—Mr Pegler's *bête noire*—insisted on joining the company. Mr Pegler, who has a powerful sense of the publicity value of animosity, flourishes on attack.

The Food Position

Vigorous replies were launched last week by two members of the Administration on critics of the farm and food position. Judge Jones, the War Food Administrator, declared that, despite bad weather, total crop production would be 5 per cent higher than in any year except 1942, and, with greater livestock production, total food output would break all records again. With good luck the farmer will have broken all food production records every year for six successive years. For 1944 an even greater production programme is being planned and will go into effect on the customary voluntary basis. This is an amazing record. What the critics say, however, is that production might have been much higher but for the 47,000,000 acres withdrawn from food production between 1932 and 1939 under the Agricultural Adjustment programmes. Mr Byrnes in his speech last week took occasion to deliver a direct rebuke to "persons of recognised prominence"

ex-President Hoover presumably—who repeat this accusation. Mr Byrnes declared that the figure, which applies to the 17 principal agricultural crops, is misleading in that in the same period the acreage of other crops increased by 9,000,000. Since 1939 the acreage of 52 agricultural crops has been increased by 16,000,000 acres, so that the total harvested acreage in 1942 was only 22,000,000 less than in 1932. Yet with 22,000,000 less acres in production and with less manpower than in 1932, 36 per cent more food was produced in 1942, making possible a better diet for American civilians than they enjoyed before Pearl Harbour. This was accomplished through efficient soil conservation and by striking increases in yields per acre. As Mr Byrnes pointed out, it is not the fault of the farm programme if, owing to their own higher purchasing power and war requirements, the American people cannot eat everything they would like.

D-Day

A warning that six months after the end of the war there might be 12 million unemployed in the United States has been issued by the Bureau of Labour Statistics of the Department of Labour. In the aircraft industry it predicts the squeezing out of 1,500,000 or more workers; that in shipbuilding will be almost as drastic, while employment in the converted automobile industry is, it suggests, likely to drop from 800,000 to 200,000 before climbing back to about 600,000. The likelihood which it mentions of a vast contraction in the production of machinery and machine tools after the war has been worrying the industry for some months. On the bright side, however, is the Bureau's expectation of an almost immediate expansion in industries producing refrigerators, sewing machines, electrical appliances, textiles, leather, lumber and paper. In its recommendations the Board takes much the line suggested by the National Resources Planning Board, now defunct. The need for the rapid reconversion of industry; a public works programme to give employment in the interval; financial help during the same time to demobilised servicemen and war workers; a gradual programme of demobilisation; and a Federal job-placement service—are points that one would expect to be the subject of common agreement, although already some of the enemies of Government interference are arguing that if only the Government will withdraw its controls as soon as the armistice is declared, private industry will be able to take up the slack. This is hardly to be taken seriously. As the Bureau warns, without substantial adherence to its programme, the unemployment problem, "certain to be critical, may be devastating." The problem to be faced is more complicated, however, than merely one of providing Government aid to the unemployed until industry is back on a peacetime footing. Among the subjects which the Bureau feels should undergo further exploration are the disposal of Government-owned war plants and surplus

war stocks, in a manner to aid private enterprise; wartime business taxes and aid to small business; the continuation of anti-inflation measures; and the gradual tapering off of war contracts. These are all issues into which the NRPB report went most thoroughly. With the disavowal of the Board by Congress, presumably the ground will have to be gone over again from scratch—if there is time.

Manpower Figures

The July issue of the "Survey of Current Business" contained a number of statistics of the manpower problem which serve to illustrate its dimensions. From June, 1940, to June, 1943, the civilian labour force fell from 56.2 millions to 54.6 millions. This means that recruitment to the labour force, as a result of the increase in that population and the growing employment of women, failed by 1.6 millions to offset the men lost by drafting into the armed forces. In spite of this shrinkage of the total labour force, employment increased from 47.6 millions to 53.4 millions, the reason being, of course, a fall in unemployment from 8.6 millions to 1.2 millions. These comparisons are over a three-year period. In the last year of the three the position has not been so comfortable. Agricultural employment has been maintained, but the total employed in industry has fallen by 300,000, in spite of an influx of 2.6 million women. The next twelve months are going to pose a very difficult problem. A total of 3,900,000 persons are wanted for the armed forces, the munitions industries, Government war agencies and the food-processing industry. It is estimated that there will be only 1,300,000 new recruits to the labour force in the period, so that 2,600,000 persons will have to come out of less essential trades. With an effective manpower system and a successful control of purchasing power, these problems would not be insuperable. With no mobilisation mechanism (except the draft for the armed forces) and with a steadily mounting head of purchasing power pressing on all markets, it is difficult to see how the necessary shifts will be achieved.

Shorter Note

Rumours, which have an authentic air, allege that Mr Sumner Welles has resigned, or been dismissed, from the State Department because of irreconcilable differences with Mr Cordell Hull. If this turns out to be true, it will bring the issue of the State Department to a head. It has been difficult to believe all the allegations of reactionary, semi-Fascist leanings in that department, but if Mr Welles goes it will be impossible to withhold belief any longer. Not that Mr Welles is a rabid left-winger. Indeed, to find Liberals deploring his removal is the best evidence of the pretty pass that things are coming to.

THE WORLD OVERSEAS

Nazi Failure in Norway

[BY A CORRESPONDENT]

DURING the early period of the occupation of Norway, the Nazis hoped for a rapid development of natural resources. Far-reaching plans were made for expanding hydro-electric power stations, and the production of light metals, ferro-alloys and chemicals. The construction of power stations for at least half-a-million kw., that is, roughly one-quarter of the total pre-war generating capacity, was actually begun, and was to have been completed in stages during 1943 to 1945. At present, not one of these projects has been completed. Since the autumn of 1942, most of the construction work has had to be suspended because of the shortage of material and labour. German plans originally envisaged the expansion of the aluminium capacity from some 37,000 tons to 140,000 tons, whereas in 1941, actual production fell to 50 per cent of the 1940 output. In 1942, production may have increased to, perhaps, 26,000 tons. The lack of imported

bauxite prevented production from being maintained, and the construction of new plants for processing Norwegian labradorite met with insurmountable difficulties.

All foreign-owned aluminium plants were taken over by German capital interests. For this purpose, two new companies were formed—the A/S Nordisk Lettmetall of Oslo and the A/S Nordag. The German I.G. Farben, the Norsk Hydro, the Bank der Deutschen Luftfahrt-Berlin, and the Hansa-Leichtmetall AG-Berlin, control these two companies. The Norsk Hydro, which actually expanded its power stations, chemical works and light metal plants, is now completely owned by the I.G. Farben trusts. But the pre-war output of iron ore, pyrites, nickel and molybdenum, as well as of ferro-alloys, has not been reached. German hopes of turning Norway into an important part of the European war economy were thus disappointed.

Shortage of labour has been a peculiar feature of Norway under German occupation. There is, first, the tremendous coastline which has needed fortifications at a great number of places. At the same time, the Germans were forced to extend roads, aerodromes and communications. The con-

struction of fortifications and roads requires a considerable labour force. Work on new factories and plants, and the necessary extension of agriculture for replacing at least part of the foodstuffs formerly imported, also demanded more labour. Conscription of labour was thus introduced as long ago as 1941, and people were forced to work for a limited period in agriculture, forestry and fortifications. The labour decrees that have been published since 1941, culminating in total mobilisation after the German model early this year, illustrate the story of the resistance of the Norwegian population to the occupying power. Before conscription was applied, German authorities, in collaboration with the Quisling administration, forced workers to take up employment by denying them food cards if they refused.

Failure of Conscription

Norwegians soon realised that the demand for workers for military constructions was growing from month to month. Industries not engaged on war production were denuded of labour. At the end of 1942, it was estimated that roughly one-third of a total of 500,000 workers in employment were engaged on fortifications and other defence works. The total mobilisation of 1943 is said to have yielded an additional 10,000 workers, although the Germans had demanded at least 35,000. Other reports state that not more than 3,000 workers were obtained. The general registration, which was the basis of the total mobilisation, met with a particularly interesting resistance. Forms were filled in illegibly; interviews had to be repeated several times; in short, many delaying tactics were employed. It has never been possible to recruit appreciable numbers of Norwegians for work in Germany, and each tightening of conscription increased the exodus, particularly to Sweden. In fact, Norway is the one country under German occupation where considerable numbers of German civilians, said to number at least 100,000, had to be engaged, not to speak of Russian and other prisoners of war. It may not be far from the truth to state that at least 300,000 Germans, that is, 200,000 soldiers and 100,000 civilians, are now stationed in Norway. The Germans in Norway are thus nearly equal to the number of Norwegians of military age.

Norway's agriculture is hopelessly inadequate to supply the population with the minimum of foodstuffs needed. Imports of grain from Denmark are small, and the lack of feeding stuffs forced farmers last autumn to reduce their cattle herds by a quarter. The shortage of fats became more marked. As a result, the allowance of milk for farmers was greatly reduced. All churns were sealed by the police, and the surplus milk had to be delivered to dairies. The delivery quotas for grain were increased at the same time. The greater part of the fishing output is still shipped to Germany, and the production of herring oil for use in Norway has again been reduced. As in other occupied countries, farmers have benefited financially. They have received higher prices without, however, being able to spend the money on civilian commodities, or on replacing agricultural machinery and implements. Consequently, debts have been repaid, and the enforced bankruptcy of a farmer was unknown in 1942.

Norway's financial situation is largely a matter of conjecture since all official information has ceased. Even vital statistics, which are still published in other countries, have been suppressed. The reports of the Central Bank and the Budget figures were suspended a long time ago. It is estimated that the costs of occupation financed by the Central Bank were as follows:

End of 1940	Kr. 1,500 millions
" 1941	" 3,800 "
" 1942	" 6,000 "

The annual expenditure of the Quisling government is estimated at at least double the pre-war expenditure. The national debt has increased accordingly, and the notes in circulation are perhaps three times as great as before the war. The leading commercial banks are largely employed on financing the expenditure of the Quisling government, which is reflected in considerable holdings of Treasury bills and bonds. Private demands from industry for finance are negligible.

The financial situation reflects the great losses inflicted by the occupation on Norway's economy. It is estimated that the value of the national resources has been reduced by Kr.3,000 to 4,000 millions as a result of the requisitioning of goods, the slaughtering of livestock for military purposes and general wear and tear. During three years of occupation, Germany has received goods and services to the value of Kr. 9,000 millions. The annual amount is roughly equal to three-fourths of the pre-war national income.

In spite of these conditions, price control has been fairly effective. From August, 1939, to the beginning of May, 1943, the wholesale index increased by 77.4 per cent, and the cost of living index by 48.9 per cent—a small rise compared with that in other occupied countries. Wages increased during the same period, however, by only 6 per cent, which shows very clearly the considerable reduction in the standard of living under German occupation.

During three years of occupation, the German administration and the Quisling government have tried very hard to reorganise Norway's economic system after the German model of a totalitarian economy. Yet no "Nachstand" and no "Labour Front" have emerged which can claim to have organised farmers and workers. The attempt to form a corporative parliament for industry has also been abandoned. It was not until May, 1943, that an Economic Council was formed, which combines ten economic groups covering the entire economy. The Economic Council is directly controlled by the Department of Trade and Industry of the Quisling government. Membership is compulsory, and the different groups are simply a compulsory form of earlier industrial and other federations.

Brazil in the War

[BY A CORRESPONDENT]

LAST weekend, Brazil celebrated the first anniversary of its entry into the war. Although Brazil is earnestly considering the drafting of an expeditionary force to North Africa or Europe, its main contribution to the war, apart from providing military, naval and air bases, has been, and will be, on the economic front. The country's economic effort since its entry into the war has been twofold—first, to supply the United Nations, and especially the United States, with strategic materials and other commodities; and, secondly, to meet its own demand for industrial goods as far as possible from domestic sources in order to save labour, materials, industrial capacity and shipping in the other Allied areas. In both directions Brazil has been fairly successful.

Brazil's entry into the war was accompanied by the mobilisation of all its economic resources. Since then, the country's "Co-ordinator of Economic Mobilisation," supported since early this year by a "Consultative Council of Economic Mobilisation," has placed the country's trade and industry on a war basis. Although private initiative has been retained to a certain extent, all production programmes and development schemes are centrally directed and controlled. The trend towards industrialisation has been accelerated and the development of resources of strategic materials has been intensified. Although from the point of view of the war effort the latter trend is undoubtedly the more important, there can be little doubt that the progress made in industrialisation will be one of the main milestones in Brazil's economic history.

Brazil's economic difficulties in the past have been largely connected with the fact that the country was a "one-crop producer." Coffee, of which it used to produce over two-thirds of total world production, and which until ten years ago accounted for some three-quarters of all Brazilian exports, was the backbone of the country's economy. President Vargas had tried from the beginning of his period of office to widen the country's economic basis. The results of his early endeavours, however, were not very significant. There was an increase in the country's production of some other agricultural commodities, like cotton and citrus fruits, but its mineral wealth remained largely untapped, and its industrial production remained exceedingly small.

The war has brought many changes. Brazil's mineral production is now attaining a high level. With the direct help of the Allies, especially the United States, the iron-ore mines of Itabira (Minas Geraes), the manganese mines of Minas Geraes, Matto Grosso and Bahia, the chrome ore deposits of Bahia, the tungsten and nickel mines of Goyas, the bauxite deposits of Minas Geraes, Espirito Santo and Maranhao, as well as numerous other mines producing diamonds, non-ferrous metals, mica, asbestos and similarly important strategic minerals, are now being developed to supply the Allied war industries. In a number of cases, such as steel and aluminium, important refining installations are being constructed in Brazil. Their capacity will be large enough to enable Brazil to export part of its production.

In the agricultural field, the Brazilian war effort is not less marked. Some 100,000 workers have been drafted into the

Amazon Valley and into Matto Grosso to tap the country's vast resources of wild rubber. Vegetable oils of various kinds are being produced in greater quantities than ever before. Soon, cocoa surpluses in Brazil will be utilised for the production of cocoa butter. Medicinal herbs, which formerly came from the Pacific area, are being collected in growing quantities in Brazil. Last but not least, Brazil has become one of the main Allied sources of silk for the manufacture of parachutes.

Along with the development of its natural resources, Brazil has greatly extended its industrial production. There are now close on 80,000 industrial establishments in Brazil, some 15,000 more than at the outbreak of war. The number of industrial workers, which numbered some 825,000 two years ago, is now approaching 1,000,000 men, while the value of the country's industrial production is now nearly one-fifth of the country's national output, against just over one-eighth at the outbreak of war. The new industries of Brazil no longer consist of small workshops producing a limited range of simple products. They include large and modern enterprises for the production of such complicated goods as electrical appliances, including radio equipment, motor cars and airframes, with aero engine production in active preparation, certain types of machinery, textiles of a surprisingly high quality and even ships.

In most instances it is obvious that the new productive capacity will survive the war, and become the nucleus of a fairly large national industry.

As most of Brazil's statistics have been suppressed, it is not possible to give a detailed picture of the country's economic changes. Even the monthly foreign trade returns have not been published since April, 1942. The last annual report of the Bank of Brazil, however, quoted some figures of Brazil's foreign trade in the whole of 1942. These figures already indicate the change in the trend of Brazil's economic activities to some extent, although shortage of shipping gave priority to shipments of strategic materials, and supplies of foreign manufacture last year remained below the country's needs. Total imports in 1942 reached 4,644,000,000 cruzeiros, or only slightly less than imports in 1939. Exports, on the other hand, at 7,495,000,000 cruzeiros, were almost 50 per cent larger than in 1939. The trade surplus, at 2,851,000,000 cruzeiros, was nearly five times as large as in the last pre-war year. Whereas imports consisted largely of machinery, industrial equipment, transport equipment, fuel and similar materials, exports were mainly made up of products needed for the war. Coffee and cotton, which ten years ago were together responsible for three-quarters of Brazil's total exports, and even in 1939 for three-fifths, in 1942 accounted for less than 35 per cent of all exports, against 45 per cent in 1941. Under more normal shipping conditions, coffee exports should be higher than they were in 1942, but it is almost certain that this commodity has lost its dominating influence on Brazil's national economy.

The rising export surpluses, together with the large North American funds flowing into Brazil to finance the development of strategic material production, have greatly improved the country's financial position. Apart from repaying its gold debt to the United States under the 1939 credit agreements, the Brazilian Exchequer has been importing gold from the United States on a large scale during the past twelve months. In addition, Brazil has been accumulating a large reserve of foreign exchange, and it is very likely that the surpluses on Brazil's balance of payments will continue to rise for the remainder of the war. The favourable trend of Brazil's financial position is of particular interest to this country, for the current, highly unfavourable Brazilian foreign debt scheme will expire at the end of March, 1944, and is due for reconsideration not later than October, 1943.

Northern Ireland Transport

[FROM OUR BELFAST CORRESPONDENT]

GROWING attention is being given in Northern Ireland to problems of post-war reconstruction. A Planning Advisory Board with a large and representative membership has been established, with the task of making recommendations regarding physical planning and reconstruction. A strong Agricultural Enquiry Committee has also been appointed under the chairmanship of Lord Justice Babington, while a further committee is dealing with the post-war future of the linen industry. It is probable, however, that one of the most urgent problems with which the Government will be confronted is that of transport.

Wartime Lessons that will influence Britain's Export Marketing in the Peace

THE use made by the Allied Governments during the war, not only of propaganda, but also of public-opinion and public-behaviour research, may be taken as prophetic.

It appears now most unlikely that these instruments for learning people's desires, beliefs, and habits on the one hand, and for moving them to constructive action on the other, will be dropped when peace comes. They are certain to play an indispensable part in post-war export trade.

International Organization

The J. Walter Thompson Company Limited can justly claim to have helped in the steady development of the new propaganda techniques and the new research methods—both before the war, on behalf of industry, and since, on the Government's behalf. And this experience, together with the Company's international facilities, makes its services particularly valuable to business men faced with the problem of Britain's overseas markets.

It is true, of course, that the Company's offices in the Occupied Countries are temporarily closed and that the London office and the offices in the United States, in South America, in India, and in the Dominions are carrying on their work with reduced staff.

Planning Now

Nevertheless, the offices now operating are able to undertake a limited amount of market research and post-war planning, and the European offices will, it is hoped, be reopened soon after the war ends.

So far as the marketing problems affecting post-war export trade can be "tackled" at this time without detriment to the war effort, it is generally agreed to be in the national interest that they should be. With this in mind, the J. Walter Thompson Company will be pleased to exchange views with any responsible concern that is interested in its international experience and facilities.

J. Walter Thompson Company Limited

6 Grafton Street, London, W.1

BOMBAY	BUENOS AIRES	CALCUTTA	CAPE TOWN	CHICAGO
JOHANNESBURG	MELBOURNE	MONTREAL	NEW YORK	
RIO DE JANEIRO	SAN FRANCISCO	SÃO PAULO	SEATTLE	
	STOCKHOLM	SYDNEY	TORONTO	

The small size of Northern Ireland and the short distances to be covered led to the rapid development of road traffic after the last war. Soon, a mass of small road transport undertakings were operating with little co-ordination or regard for the real interest of the public, while periodic rate-cutting between rival operators added to the confusion. To regulate the position, the Road and Rail Transport Act of 1935 was passed, under which the Northern Ireland Road Transport Board was established as a public utility, which gradually acquired almost all road transport undertakings operating passenger or freight services in Northern Ireland. A single authority was created to deal with public road transport. There remained, however, the position of road transport in relation to rail. The Act of 1935 provided for a system of pooling receipts between the Road Board and the three railway companies operating in Northern Ireland. This provision of the Act never operated, however, and, in fact, considerable rivalry existed before the war between the Road Board and the railways. In so far as passenger transport was concerned, the operations of the Road Board were successful, but in the case of freight transport it had become apparent that there was not a sufficient volume of public freight transport to enable both the Road Board and the railways to operate economically.

The position has been radically altered by the war. Shortage of petrol has restricted the operations of private traders in the carriage of their goods by their own vehicles. The war has originated a large amount of direct war transport. In these ways, the volume of public transport has greatly increased, but it is realised that sooner or later the problems which had arisen before the war will have to be solved. In the meantime, traders are concerned to ensure that no limitations will be imposed in regard to the carriage of merchandise by private lorries after the war, and that private transport will not be restricted on the pretext of securing that there is an adequate volume of traffic to enable public transport undertakings to operate efficiently. If, however, as seems probable, the volume of public transport declines after the war to a level approaching the 1938 level, then the first solution would appear to be the amalgamation of all road and rail services in Northern Ireland under a single public utility organisation. It is admitted that the pre-war level of freight transport was quite inadequate to maintain the Road Transport Board and the three railway companies on an economic basis. The integration of road and rail services, so as to eliminate overlapping, is an essential development in the interest of efficiency, while important economies would also arise from the unification of the management, accountancy, technical and publicity organisations at present duplicated in four separate undertakings.

The Indian Census

In February, 1940, the Government of India decided to undertake a census of all India, and the report of the Census Commissioner is now available in this country. The 1941 census, which is the eighth in the series, was conducted under conditions of exceptional difficulty, owing to the war, shortage of staff and the political situation. Certain changes in the method of enumeration were employed. Thus the old system of counting the number of heads at midnight on a given date was replaced by an enumeration spread over a longer period and based on a previously prepared house list. Another change was the introduction of mechanical tabulation, which enabled the number of enumerators to be reduced. A third change was the abandonment of the system of language and script enumeration, as it was felt that Hindu-Moslem feeling would make the returns worthless where the Urdu and Hindu languages were concerned. The present census is described as a "utility" census report. The returns show the distribution of population by districts, sub-districts and towns and as between the different communities. Relatively little information is provided about economic and social conditions, but, in spite of its limitations, the present document is a valuable social record, and it is creditable that the Government of India, amid its many burdens and duties, should have been able to undertake a task of such magnitude.

The census shows that the 1941 population of India was no fewer than 388,997,955, which is an increase of over 50 million in the last ten years. The report attributes this increase mainly to increased expectation of life, reduction

in maternal and child mortality and the downward trend of the death rate from such destructive diseases as cholera and the plague. Since 1920 the infant mortality rate has fallen from 195 per thousand to 160, and this cause alone is responsible for a population increase of 3,000,000. During the same period the general birth rate fluctuated between 33 and 36 per thousand, and the general death rate declined from 31 per thousand to 22. The reduction in the rate of maternal mortality, which is now estimated at about 20 per thousand, is attributable to improved public health services, and should tend to produce still further increases in population. The balance between the sexes has remained constant, though the proportion of women to men has fallen slightly in British India. For India as a whole, the ratio is 935 women to every 1,000 men.

India is still overwhelmingly rural. Its urban population numbers 49½ million, that of its countryside 339½ million—a proportion of roughly one to seven. This fact is also shown by the small number of towns compared with villages—2,703 towns to 655,892 villages. A town is regarded as a place with 5,000 inhabitants, a city is a town with not less than 100,000. There were 58 cities in India in 1941, which is a considerable increase since 1931, when there were only 35. The report emphasises the growing importance of city life in India, with the development of industry and the increase in overseas trade. It is significant that, in the last 50 years, the population of Calcutta has been trebled, those of Madras and Bombay have doubled, and that of Lahore has quadrupled, while the same tendency to grow is shown in other cities, such as Karachi, Jamshedpur, Ahmadabad, Trivandrum and Sholapur, which have developed during the past fifty years from small villages to urban centres of considerable importance.

The report contains some interesting information about the community grouping of the population in the various districts. For All India, including the Indian states, 66 per cent of the population are Hindu, 24 per cent Moslem, and 7 per cent tribal. In British India, the proportions are 64.5 per cent Hindu, 27 per cent Moslem, and 1 per cent Christian, the Christian element being strongest in the Madras presidency. In Travancore state, Christians represent 32 per cent of the population, and in Cochin state 29 per cent. Persons of European origin, including British soldiers, represent about one in every thousand of the total population.

At first sight, the tremendous extension of literacy—the increase amounting to 70 per cent for All India (60 per cent male and 150 per cent female)—might seem to give ground for satisfaction. But the actual figures of literacy reveal the incredible backwardness in this respect of the Indian population. The standard was a very low one—the ability to read a simple letter, and not as in previous years to read one and write the answer. Yet the figure for women in the whole population is only 2 per cent. In Punjab, the literacy figure is 13, which covers a 390 per cent increase for women; Bombay shows a literacy of 30 per cent for males and 9 per cent for females; Bengal 25 per cent and 7 per cent for men and women respectively. The highest figure is found in the two princely states of Travancore and Cochin, where it is 45 per cent, which is four times as high as in any province of British India. The Commissioner expresses the hope that broadcasting, by making the people conscious of a want of education, may tend to reduce illiteracy. This might help, but it is clear that vigorous efforts will have to be made by the authorities if this deplorable feature of Indian life is to be remedied.

Taken as a whole, the census has the effect of whetting the appetite for more information. The vital statistics, the population groupings, and the literacy returns are of great interest and importance. It is to be hoped that, as soon as practicable, the Government of India will be able to make a census giving information about occupations, agriculture and industry, housing, public health and schools, and enabling the formation of a comprehensive picture about how the Indians live and work.

Books Received

- U.S. Foreign Policy.* By W. Lippmann. (London) Hamish Hamilton. 109 pages. 6s. net.
Women at War. By M. Goldsmith. (London) Lindsay Drummond. 223 pages. 10s. 6d. net.
A Better Britain in a Better World. By R. Muir. (London) King and Staples. 176 pages. 2s. net.
A Short History of Labour Conditions in the United States of America, 1789 to the Present Day. By J. Kuczynski. (London) Fr. Muller, Ltd. 228 pages. 10s. 6d. net.

Russia at War

Output of Arms

INFORMATION about the situation in the Soviet war industries has recently been more scarce than usual. The black-out of facts and figures so familiar in other belligerent countries prevails in Russia, too; and, in addition, the discussion of economic and industrial problems which for a time was very common in Russia at war has been abated. Moscow publications now give extremely few glimpses into the development of the industrial war effort in the Urals and the Asiatic industrial centres, which until a short time ago was widely discussed; and nothing has been published lately except either very general over-all percentage figures of increases in production or scattered detailed accounts of output records obtained by individual workers. Crucial problems such as the replacement of raw material and fuel resources lost to the enemy; the problems of industrial organisation in the east; the special labour problems of regions only recently opened to industry; the new geographical distribution of war production; and the regional variations in output, wages and the cost of living—all these and similar aspects of Russia's war economy are now shrouded in increasing secrecy.

It is by the victories of Russian arms on the battlefield that the achievements of Russian factories can now be gauged. General Sabennikov, the Russian commander on the Orel sector, stated last week that during the decisive phase of the fighting for Orel his artillery was able to cover every yard of ground on the average with nearly two guns; the density of the barrage at Orel was "at least ten times as large as that at Verdun." The credit for this stupendous saturation of fire power belongs, of course, to the Russian war industries, even allowing for the very substantial contribution made by Lend-Lease deliveries.

The production drive in the Urals and Siberia apparently went on unabated during the first half of this year. In a recent report the Deputy Commissar of the Munitions Industry, M. Khrunichev, stated that, during the first six months of 1943, the Russian munition factories produced nearly 50 per cent more than during the first half of 1942. This figure of 50 per cent is an average covering all types of munitions. The same statement mentioned an eight-fold increase in the output of the "most essential types of munitions"; in the manufacture of shells, for instance, special emphasis was laid on armour-piercing power to immobilise the German Tiger tanks; and the ordnance factories have concentrated on new kinds of self-propelled guns.

On the production of tanks and aeroplanes reports have been still less specific. Not even percentage increases have been published lately. Instead, a very considerable improvement and modernisation in the technique of production has been reported. Automatic electric welding machines have been introduced in many factories in the Urals, which has made it possible to speed up and perfect the manufacture of tanks as well as to save skilled labour. "A girl who only recently left a collective farm for a factory (one report goes) is able on an automatic welding machine to turn out as many tank parts as five skilled welders used to produce by hand." Much has also been done to ensure an even flow of output from aircraft factories. New multi-spindle lathes have been brought into use, with a very large economy in labour and machines. In some instances only an eighth of the previous number of workers are now required to carry out a particular operation; and one multi-spindle lathe does the work which twelve times as many lathes of the previous type used to do. The experimental machine tool factory "Lathe Constructor" is said to have worked out a method by which an even flow of output can be maintained even in processes involving transport of very heavy loads up to 15 tons.

Many of the new technical devices, which have recently been given publicity, still remain in the experimental stage; but many others have been put into operation and have enabled a number of armament factories to switch over to mass production. The tendency towards "americanisation," which has been apparent in Russia ever since the first Five Year Plan, appears to be a dominant influence in the many

new industrial centres in the Urals which have sprung up in the course of the war like mushrooms. Shortages of labour and raw materials seem to have stimulated this trend very markedly.

The weakest spot in the Ural war industries has always been the supply of fuel and electricity. In this respect the northern and central regions of the Urals are in an even worse position than the southern regions, which are nearer—though by no means near—to the coal basins of Kuznetsk and Karaganda. In the course of this year some progress has been made in the exploitation of local resources of coal and other fuels. The Sverdlovsk region—very important for its tank and aircraft factories—has doubled its output of electricity and trebled its output of coal. It seems doubtful, however, whether the fuel bottleneck has really been broken; and the fact that the shortages of coal and electricity in the central and northern parts of the Urals have not frustrated the plans for industrial expansion there is in itself a remarkable achievement. It can only be explained by the extraordinarily energetic and strict allocation of fuel, according to priorities, to the factories which have lacked and needed it most.

The spirit in which the Urals drive is being continued is illustrated by a new collective letter "from the workers of the Urals to their beloved leader, Marshal Stalin." The letter contains the promise:

... to work still more smoothly and enthusiastically in order to help the Red Army drive the Fascist beast into its grave as quickly as possible.

The Urals people swear by their lives and their honour to keep their word and give in 1943 twice as much armaments and ammunition of the best quality as in the previous year.

End of Co-Education

The new school year in Russia starts with a sensational reform. The co-education of boys and girls in secondary schools has been prohibited; and in the new year separate schools for pupils of the different sexes must be provided right from the beginning. The reform is to be enforced with the utmost determination.

The Regional and Territorial Party Executive Committees and the People's Commissariats of the USSR and of the Autonomous Republic must guarantee the carrying out of this important Government decision (*Pravda*).

The sudden liquidation of the co-educational secondary school will put a heavy strain on the Soviet school system, which has already been to a very large extent disorganised and weakened by the war. No reasons have been given officially to explain this step, which marks a significant departure from Soviet pedagogical principles. Co-education was until recently regarded as one of the progressive features in which Soviet schools took a particular pride. The reform is, no doubt, in keeping with the reforms carried out a few years before the war, which brought the Russian school back to its more or less traditional path. The so-called self-government of school children was then abolished; the authority of the teacher was re-established; uniforms for school children, as well as formal examinations, were reintroduced; and, last but not least, fees were introduced for secondary schools attendance. In the same way the abolition of mixed schools undoubtedly aims at the re-establishment of a more rigid discipline along orthodox lines—and may be associated with a determination, by a greater concentration on housewifery and mothercraft subjects in the education of girls, to restore the ravaged home life of Russia.

Even so, the question still remains why this latest reform is being carried out just now, and why there has been so marked an insistence on its urgency. It may be hazarded that it has been made necessary by some deterioration in standards of behaviour, owing to mass evacuations, homelessness, lack of parental care, inadequate supervision and so on. The growth of juvenile delinquency is a common phenomenon in every belligerent country; and it is only natural that in Russia, where so much more of normal family life has been uprooted and destroyed than elsewhere, juvenile delinquency should have assumed a correspondingly larger scale. The urgency with which the liquidation of mixed schools is now being enforced suggests that the position may have even become somewhat alarming.

THE BUSINESS WORLD

Motor Cars After the War

THE motor industry, quite rightly, is beginning to lay its plans for the future, for the change-over from the production of aircraft, military vehicles and other war equipment to the manufacture of automobiles for civilians. It will have an important part to play after the war, not only in providing employment and in satisfying the demand for motor cars, but also in earning foreign exchange. For these reasons it will be of great advantage if the industry makes all the preparations necessary for a quick change-over from war to peace production; it will be of equally great advantage if the industry can devise a policy which would lead to a substantial expansion in its size above the pre-war level and enable it to secure a much bigger share than hitherto in the world market for automobiles.

The potential home demand for motor cars will be very large after the war. Great Britain's stock of private cars, numbering some two millions before the war, will be seriously depleted. Production was suspended in 1940 and, in spite of the petrol restrictions, a substantial proportion of the pre-war stock will be worn out and unfit for further use. While it is difficult, at this stage, to forecast the number of serviceable cars available after the war, it may not be much more than half the pre-war figure. Even in the best of the industry's pre-war years, in 1937, its output of private cars and taxis fell short of 400,000 units. At this annual rate, the industry would require 2½ years to bring the stock of cars back to the pre-war level and no less than 5 years to replace the whole of the pre-war stock, without making any allowance for exports.

Overseas demand is likely to be no less buoyant after the war, for all the large producing countries in North America and on the Continent of Europe have ceased to manufacture private motor cars. The world's total stock of cars and taxis numbered 35 million units at the end of 1938, of which 25 millions (27½ millions in 1940) were in the United States. Europe's stock of about 4½ millions will be even more depleted than Great Britain's, but America's fleet of serviceable vehicles may have been reduced to a lesser extent. The United States and Canada are the only two major countries, besides Great Britain, which are likely to resume production fairly quickly, and even the United States, whose output reached 3½ millions in 1941, will not be in a position, at that rate, to meet the enormous replacement demand at home and abroad in much less than 3 to 4 years. True, the United States and Canada can, and probably will, step up their output well above their record levels. Nevertheless, manufacturers in this country are not likely to be short of export orders for some years. In 1937, the best pre-war year, Great Britain exported 78,000 private cars and chassis, valued at £8,325,000, an average of £107 per vehicle. This was merely a fraction of America's exports of 273,000 cars, valued at \$141 millions, in that year and, besides, most of the cars sent abroad from this country went to the Empire. In the sellers' market during the immediate post-war years British manufacturers should find no difficulty in improving on this figure and in entering fresh markets. They should aim at selling abroad at an annual rate of at least 200,000 cars.

If British manufacturers are to replace the domestic stock of cars in five years and also to export at a rate of 200,000 vehicles a year, they would have to increase the rate of production to 600,000 vehicles a year, an increase of more than 50 per cent over the best performance in the past. There should be no serious difficulty or delay in raising output to this level, though it can only be done by producing pre-war models, that is, by the utilisation of available tools and jigs, at any rate for the first post-war season. The United States is likely to adopt a similar policy, though it must be remembered that its models are two years later than the British industry's. If for this reason alone, it is vital that the British industry should be preparing to bring out wholly new models, and as soon as possible, incorporating all the improvements of the last few years, both

in materials and in engineering technique. During the period of transition it may be necessary, for the sake of foreign exchange, to give priority to the export market and to control prices to avoid an immediate rise.

The heavy replacement demand at home and abroad after the war, and the prospect of a further expansion in the number of car owners, will give the motor industry its long-awaited chance to put British cars on the map. An assured market for something like 600,000 cars a year, if only for a few years, should enable it to organise the industry on American lines and to secure the economies of mass production which are essential if costs are to be reduced to a competitive level in the world's markets. The large British private car manufacturing groups—including the Austin, Ford and Morris groups—are in a position to carry out the necessary technical reorganisation and, individually, to achieve a rate of output which would yield substantial economies. If necessary, a further measure of financial concentration could be undertaken to add still further to their potential sales. True, even an output of 600,000 cars a year is still less than a sixth of the American figure for 1941. But there is a point in every industry—and this may be within the 600,000 a year limit—where the economies achieved by still further expansion are negligible.

It may also become expedient for the firms engaged in mass production to reconsider their past policy of producing each season a large variety of models in the hope that at least one of them will prove a winner. The manufacturers know their market and they are conscious of the economies that could be reaped by a reduction in the number of models. If they have not done so in the past it is because the public demand for variety is too strong, and it may be that this will continue after the war. There might, however, be scope for some agreed reduction of types. There would still be room, of course, for small-scale manufacturers catering for the more expensive tastes. These first-class engineering firms—to mention only Rolls-Royce—have been a valuable asset to this country.

But if the mass-produced British car is to be put on the map it will be desirable also to reconsider taxation policy. The horse-power tax, as much as the tariff, has provided British manufacturers with a secure home market, for the simple reason that the United States, with its big cars, did not find it worth while to cater specially for the British demand, nearly two-thirds of which was for cars of 10 h.p. or less. But, for the same reason, British manufacturers found it impossible to sell their cars in foreign countries. It may be that an increase in the scale of the British industry, together with the increases in costs of production in the United States that seem inevitable, will enable Great Britain to compete without protection. But even if this is not so, and protection for the home market continues to be necessary (it can be fully justified on defence grounds) there would be advantages in relying on straight tariff protection, or on some other method which did not handicap the British industry in the world market or condemn the British motorist to a less satisfactory car than he would desire. But protection is not the sole, nor even perhaps the main, purpose of the horse-power tax, and if it were abolished some other means of raising the revenue would have to be found. The familiar alternative is the petrol duty—but a very high price of petrol might discourage the big car almost as effectively as the horse-power tax. A third possibility is a tax graded according to the original cost of cars, so that a big cheap car (the type that the industry should be encouraged to develop) would be taxed more lightly than a small *de luxe* car.

The industry thus has no shortage of problems to be faced in its reconstruction plans, and some of them can only be solved after decisions have been taken by the Government. Time is getting short; if there is to be a permanent expansion in the industry the decisions should not be too long delayed. The chance may not recur.

British Insurance Looks Ahead

LIKE other major industries, British insurance is keenly absorbed in discussions of post-war problems. Apart, perhaps, from the industrial life offices, it would be wrong to say that the industry is anxious about its future. On the contrary, it faces the prospect with confidence; it has shown a high degree of adaptability to war requirements, and is in a strong financial position; the large numbers of its pre-war staff—over 60 per cent—at present serving with the Forces have been generously treated, and their places held open for their return to civil life; schemes of education have been kept going, chiefly for the benefit of those who are prisoners of war. But there is realisation of the need, in certain directions, for a new outlook and new policies. This realisation arises partly from the upheaval created by the war, which has brought simplifications of procedure and a degree of market co-operation hitherto thought impossible, and partly, no doubt, by the challenge implicit in the Beveridge Report—but in large measure it is a culmination of trends of thought originating long before the present war. It shows itself in articles and discussions in the insurance Press; in the very interesting presidential address of Mr W. H. Walker to the Insurance Institute of London in March this year; and in the appointment by the British Insurance Association—a body representative of all branches of the industry—of a committee to study post-war problems. To stimulate this self-analysis there has also been a measure of criticism from without, its latest manifestation coming from a rather unexpected quarter in the form of a pamphlet by Sir George Mitcheson, JP, MP, the chairman of the Political Committee of the Constitutional Club.

The burden of Sir George's complaint is this. He is concerned only with fire, accident and casualty insurance, and uses collated summaries showing a premium income in 1937 of £125 millions, claims of 48 per cent, commission of 18½ per cent, and expenses of 22½ per cent, the balance of 11 per cent being taken as profit. The items for commission, expenses and "profit" amount to £65 millions, and Sir

George argues that these could all be covered by a maximum of £30 millions, thereby saving the insuring public £35 millions annually. This very large economy is to be achieved by the creation of a monopoly, subscribed to by the companies in proportion to their existing business—the position of Lloyd's Underwriters is not discussed—to have only one new business section and one claims branch in each area; this, Sir George considers, will reduce expenses to 10 per cent, a saving of 12 per cent, but he does not show how he arrives at his calculation. Brokers are to be encouraged at the expense of agents, but commissions generally are to be reduced at an average saving of 10 per cent, and profit is to be fixed at 5 per cent, a reduction of 6 per cent.

There is, of course, much in Sir George's pamphlet that is hopelessly ill-informed. For example, although his scheme is not to apply to "foreign business of any kind," he is apparently unaware that of the premium figure of £125 millions considerably more than half was derived from overseas sources. Overseas insurance constitutes a valuable export business, which benefits the British community by conferring upon it the ability to import goods of a value equivalent to the profits, and through the revenue derived from taxation on those profits; overseas business, incidentally, is in general more profitable than insurance in Great Britain. This error alone throws out the whole of Sir George's calculations, and is perhaps sufficient reason for dismissing the proposed monopoly. The commission item quoted by him is a hybrid figure, comprising various elements of original and reinsurance commission, both at home and abroad, and the average commission paid to agents on home business is certainly very much lower than 18½ per cent. The figures make no allowance for adjustment of reserves, and the apparent profits are subject to numerous charges which appear in the profit and loss accounts of the companies. As the figures published in *The Economist* Insurance Supplements of pre-war days show, the actual profit on fire, accident and marine business seldom, if ever, reached



Premium Income - - **£8,179,000**

Total Assets - - **£55,754,000**

Total Claims paid exceed - - **£65,148,000**

**LIFE & ENDOWMENT ASSURANCE
FIRE, MOTOR, PLATE GLASS
BURGLARY, ACCIDENT AND
GENERAL INSURANCE**

For prospectuses and particulars apply:—

**ROYAL LONDON
MUTUAL INSURANCE SOCIETY LIMITED**

Head Office: ROYAL LONDON HOUSE,
FINSBURY SQUARE, LONDON, E.C.2.

Branch Offices throughout the Kingdom. Applications for Agencies invited

THE
**UNITED
FRIENDLY**

INSURANCE COMPANY, LTD.

LIFE, FIRE, BURGLARY,
SICKNESS, PLATE GLASS,
DRIVERS' RISKS, HOUSE
PURCHASE ENDOW-
MENTS, Etc., Etc.

R. C. BALDING,
Managing Director.

42 Southwark Bridge Road,
London, S.E.

5 per cent, and the majority of companies would undoubtedly be very pleased if they could be assured a steady favourable balance of this ratio on their home business.

Nevertheless, there is a certain substratum of truth in Sir George's criticism of the present agency and branch system. There is a strong case for raising the status of the intermediary, aiming ultimately at the elimination of part-time and "own-case" agents. It would not, however, be practicable to require all business to be negotiated by brokers. One reason for this is that the brokers have closer connections with Lloyd's Underwriters than with the companies; this does not mean that they do not place a great deal of business—especially shares of large fire and marine policies—with the companies, but it does mean that they tend to consider it their primary duty to act as feeders to Lloyd's. Secondly, the essential attribute of the broker is his skill in placing business, in finding the best market, and the creation of business through sales' effort is not his real *métier*. If, as Sir George seems to think, this country had reached the stage where the whole community realised without pressure the need for adequate insurance of all kinds, then the broker, as sole intermediary, might be a reasonable solution. As things are, the general state of under-insurance must now, and for a long time to come, necessitate active propagation through salesmanship—in other words, the inclusion in insurance charges of an element of sales cost is still justified. A great advance could be made if, besides the brokers, only full-time agents or direct representatives of the companies, with recognised professional qualifications, were permitted to function. Such a radical change would, of course, require legislation, but the ground for this might well be prepared by the companies.

In the matter of branch offices, it is not so much a question of there being too many as, from the point of view of public service, of their being in the wrong places. The centre of a city with a population of half a million may contain fifty branch offices, and a town with fifty thousand inhabitants nearly as many sub-offices; but the small town or suburban area—with its branch offices of the banks, its gas and electricity showrooms—will contain no insurance office at all, apart, perhaps, from the branch of an industrial company. This problem is, no doubt, one which cannot be fully solved without a measure of inter-company concentration. Nevertheless, it is a remarkable fact that some concerns which have been under common management for as long as twenty years have still not rationalised their branch systems. Insurance, as a whole, still tends to think of its relations with the community too much in terms of connections, and not enough as a public service.

Would changes on these lines lead to any reduction in costs? Without a detailed investigation, it is impossible to give an answer. In the United States and Canada, where the professional agent functions side by side with the broker, expense ratios are generally higher than here. Higher ratios may, however, be justifiable if they bring a corresponding improvement in service; conversely reductions in expense ratios are not necessarily desirable *per se*. Many years ago the Fire Officers' Committee initiated a policy of granting rate reductions for approved safety devices; this led at the same time to lower premiums and higher expenses, and the rise in ratios of expenses to premiums was considerable. Later moves in the same direction were the

establishment of a station for testing materials and fire-fighting appliances, and, quite recently, the launching of an advertising campaign to prevent fires. By refraining from making these moves the companies might have kept their premium income higher and their expenses lower, but they would have been neglecting their duty to their policyholders—to say nothing of their social function. The fact is that expense ratios are meaningless unless analysed into their constituent elements; to talk, as Sir George Mitcheson does, of the policyholder having to pay "well over £1 for every 10s. worth of insurance value he receives," is sheer nonsense. All the same, there is no doubt scope for economy in certain directions; the wartime practice of issuing collective fire and marine policies is an example of saving introduced without any deterioration—indeed, with an improvement—in service to policyholders.

Positively, therefore, there exists a need for improving the status of the insurance intermediary, coupled with a more logical branch system; furthermore, all economies should be diligently pursued which do not involve a loss of service. Beyond this there is much that the industry could accomplish by closer co-operation among the various sections of the market—it has been found possible to sink sectional differences for the purposes of war, why not for peace? Rating improvement must no doubt be left to the individual company or underwriter, or to the tariff organisation, but the market as a whole could join together for purposes of research, first, into ways and means of reducing losses, and, secondly, into the needs of consumers. By the Beveridge plan the task of satisfying the basic insurance needs of individuals in the community would be entrusted to the State, but there remains for private enterprise an immense field in providing cover over and above the legal minima, and in risks not covered by the plan. Lessons learned from research could be driven home by appropriate schemes of collective advertising. If these things are left exclusively to tariff bodies they are likely to remain undone in those classes of business where the tariff position is not strong. There are, of course, some things which could be accomplished by a group of leading offices acting together—for example, the introduction of standardised accountancy forms and procedure. If the majority of offices had been using revenue accounts designed to show the true underwriting results, Sir George would not have been able to contend that profits are excessive.

Abroad, British insurance will be called upon to play an important rôle in the rebuilding of Europe. There will be a strong demand for provision of insurance and reinsurance facilities from this country, the more so in that the German and Italian offices are not likely to be popular—nor for that matter to have the necessary financial resources—for some time to come. It can hardly be expected that business will be profitable in the immediate post-war period, and it may be, therefore, that reinsurance relationships with Continental offices will tend to be on a more intimate and permanent basis than has characterised them in the past. It is to be hoped that British companies and Lloyd's Underwriters will never again enter into unbridled competition in overseas markets; their activities can and should be complementary rather than competitive. Perhaps the visit to French North Africa, just announced, of a British Insurance Mission comprising two general managers and a member of Lloyd's may be taken as a happy augury for the future.

Business Notes

Markets and Quebec

Though stock markets have continued outwardly placid, with only a moderate volume of dealings, their undertone has remained firm. Neither the Kremlin's decision to recall M. Litvinov from Washington nor the Australian electorate's vote for a Labour Government has caused even a ripple on the surface, though the implications, outwardly, could hardly have been welcome to investors as such. Conversely, the fall of Kharkov, despite its unquestioned significance, brought in no new buying orders. The explanation of the markets' continuing but rather unenterprising fortitude lies mainly in the persistent refusal of holders to part with their stock in present conditions. Since Mr Churchill went to Quebec, in fact, there has been an air of subdued expectancy on the Stock Exchange, which may mean a great deal in terms of the future, but has put an effective brake on any immediate increase in activity.

The market view is that the Conference heralds an immediate and considerable increase in the scope of the military effort of the United Nations. For investors, that would involve a change of emphasis and perspective, because the design undoubtedly will be mainly to shorten the duration of the war, perhaps by many months. Up to now, the suggestion that the stock markets have "discounted the end of the war" has been only partially true. A victorious end sooner or later has been taken for granted—but there would have been no investment at all without it—but there has been no effort to put a time-limit on hostilities. If events in the near future made the war seem likely to end not "sooner or later," but within a relatively measurable period, investors (like the Government) would have to do a great deal of hard thinking. Hitherto, they have bought shares in industries, at home and abroad, whose recovery after the war was more or less a foregone conclusion, and

given a wider berth to those to which the opposite applied. But if the date at which hostilities in Europe will end could be seen more clearly, they would have to consider many more difficult questions, like the incidence of Government controls in the post-war transition period; the prospects of individual industries of obtaining labour, materials and finance for the change-over; the possible extent of taxation reliefs; the timing of the release of popular purchasing power—and much else on which they have at present very little to work upon. Beyond that, the details of the industrial and investment set-up, in the more permanent regime which will follow the transition period, are virtually unexplored territory. Many current price relationships will doubtless be greatly changed when investors have discovered, in due time, the answers to all these questions. Meanwhile, a more definite lead from the Government, on its post-war policy, would be distinctly helpful, here as elsewhere.

Electricity a National Service

The rounding off of the organisation of the electricity supply industry as a public service is advocated in the well-drafted report of the Electrical Power Engineers' Association, representing the technical staff of the industry. The Electricity (Supply) Act, 1926, was designed to link up the generating resources of Great Britain by means of an "electric grid"; the Electricity Board, which administers the scheme, acts as a purchaser and supplier of electricity in bulk. This arrangement, though it has brought many advantages, remains defective in that generation and distribution cannot be planned to the best advantage. The Association therefore suggests that a single authority—a National Electricity Supply Board—should be responsible for generation, transmission, distribution and utilisation. Generation and bulk transmission would be controlled nationally, but the detailed administration of distribution and utilisation would be on a regional basis. Great Britain would therefore be divided into distribution areas, to be determined in the first instance by the Electricity Commissioners, but subject to modification by the Board in the light of experience. Each region would be under the control of a regional distribution engineer and manager appointed by the National Electricity Supply Board, and they would be subdivided into districts in accordance with technical and administrative considerations. Further a regional consultative committee would be set up in each region; its main function would be to collaborate with the regional manager in dealing with the requirements, interests and problems of the consumers in the region. Organised on this basis as a national public service, electricity could be supplied more cheaply and more efficiently. The members of the Board would not be elected representatives of the industry, but would be appointed by the Government, in consultation with the Electricity Commissioners. Some of them would be appointed for their technical qualifications, and others as "representatives of broad interests vitally concerned in the electricity supply industry."

In transferring the statutory undertakings to the Board, the guiding principle should be, in the view of the Association, that undertakers should make neither profit nor loss, and that, unless otherwise agreed, purchase should be on the basis of payment of "the fair value, that is capital cost less depreciation, of the physical assets." In the case of local authority undertakings, the Board would take over the liability for payment of the outstanding debts; in the case of company undertakings, the Board would take over outstanding debts and their fair value would be paid with the Board's stock. The idea of turning the supply of electricity into a national service now probably commands a good deal of support; the scheme prepared by the technicians of the industry is attractive in its general outline; its details, and especially those relating to the method of transferring statutory undertakings to the Board, require further discussion and elaboration.

An American Business Emissary

Mr Eric A. Johnston, President of the Chamber of Commerce of the United States, has paid a visit to this country with the object of harmonising the points of view

of British and American business about post-war aims. He has informed British business men and workers of the faith of American business in an expanding world economy and private enterprise, and of its willingness to collaborate with Great Britain and other nations in reviving world trade and improving standards of living. The impression he has gained by discussing post-war problems with British business men is that they are concerned with three main issues: the adjustment of tariffs, especially by the United States; the stabilisation of currencies; the creation of conditions in world trade that will enable them to make a profit. Mr Johnston pointed out that business men in the United States were fully alive to the fact that Great Britain will have to seek a substantial expansion in exports to make good the fall in its income from overseas investments and would consider the adjustment of tariffs. He pointed out that, in his view, America, with a national income well above the pre-war level, would provide an expanding market for high-class consumers' goods which should enable this and other countries to increase their exports. Mr Johnston's fact-finding enquiry has brought home to him the strong views held by British business men on the subject of American tariff policy whose downward adjustment will be one of the most potent factors in the revival of world trade.

Exports and Imports

An interesting point of view on the rôle of exports in America's trade was given by Mr Warren Lee Pierson, President of the Export-Import Bank—created and owned by the Government of the United States—in an address reported in a recent issue of *Foreign Commerce Weekly*. His line of reasoning is reflected in these sentences:

The industrial machine of the United States has grown too big to be healthy in its own backyard . . . to utilise its capacity at a profit or to give full employment to our people if it is limited to producing for the domestic market. We believe, therefore, that American industry must . . . take advantage of the demand for its products overseas. This demand can be made effective only if the purchasing power of our foreign customers is substantially increased—in part by an enlightened policy toward the reduction of trade barriers everywhere, but principally by aiding those customers to release and acquire the great reservoirs of wealth which they already possess.

Mr. Pierson thus seems to regard exports as a kind of safety valve for the huge productive capacity of the United States. "American capital and technical assistance" will provide an immediate outlet, and, he hopes, by enlarging the purchasing power of other countries, also a permanent outlet. This is the policy which has been pursued actively by Great Britain in the nineteenth century, though not for the same reason. While Great Britain kept the door wide open to imports until 1932, when a moderate tariff was introduced, Mr Pierson expressed the warning that "our industries would be foolish to sacrifice their great domestic market to gain one abroad." The logic of his reasoning would seem to point to the accumulation of foreign surpluses by the United States on a huge scale. Unless he envisages an active policy of foreign lending the safety-valve will jam. On this point his address was obscure; it is difficult, for example, to square his statement that Brazil could "maintain a huge excess of imports on a debt-free basis." If he meant that American expenditure on productive equipment in Brazil is likely to yield a return, there still remains the problem of paying interest and, ultimately, of repayment of capital, which can only be done by goods and services. Mr Pierson's conception of the *raison d'être* for American exports stands in striking contrast to the present attitude towards exports in this country, where they have come to be regarded as vital, not to employ surplus industrial capacity, but as a means of providing the foreign exchange for vital imports of food and raw materials.

Export-Import Bank

Mr Pierson gave an interesting account, both of the methods of the Export-Import Bank and of the achievements it already has to its credit. The bank was founded in 1934 to finance the development of the resources of the Western Hemisphere and to facilitate trade between the United States and other countries. It was set up to supplement, rather than to compete with, private financial institutions. The scale of its operation is shown by the fact that advances exceeding \$1,000 million have been authorised, of

which \$640 million are outstanding. As a condition for the granting of credits

all machinery and materials not available in the country of the borrowers shall be purchased or loaned in the United States and such machinery and materials shall be transported in American ships.

This, then, is an example—not entirely unknown, of course, in British transactions with other countries—of the practical application of Mr Pierson's views about American export policy. The list of development schemes financed by the Export-Import Bank is impressive. For example, it is now assisting Brazil in constructing a large modern steel mill at Volta Redonda and in opening the rich Itabira iron mines, in electrifying and modernising part of its railway system, in improving highways and the facilities of the port of Rio de Janeiro. In Mexico the bank is also aiding in the construction of a steel mill and in the improvement of highways; in Uruguay it is financing the completion of the great Rio Negro hydro-electric project, and so on. In fact, the bank, while undoubtedly and deliberately assisting American exports of capital goods, is at the same time rendering a service to the countries concerned by assisting them in the development of their resources.

Gold Quotas Under White Scheme

One of the principal, and it may be said more surprising, modifications of the original White Plan in the recently published revised draft is the proposed raising of gold contributions to 50 per cent of quotas. This means a total contribution ranging from \$2,500 million to as much as \$4,000 million if sufficient countries join the scheme. From its peak level of \$22,800 million in October, 1941, the US monetary gold stock has declined by some \$500 million, and during this period the rest of the world has on balance absorbed the current world output of perhaps \$2,500 million. At the end of 1942—the latest date for which fairly comprehensive figures are available—the principal recorded gold holdings of countries other than the United States were as shown in the following table:—

GOLD HOLDINGS END 1942

	\$ (in millions)		
France	2,000	Other Latin-American States*	290
Switzerland	824	Sweden	335
Belgium	735	British India	274
South Africa	572	Roumania	241
Netherlands	506	Total of above	6,131
Argentina	354	Other countries	1718

* Brazil, \$115 million; Chile, \$36 million; Colombia, \$24 million; Peru, \$25 million; Uruguay, \$89 million † Including B.I.S. \$24 million.

During the current year there has been a continuing, if slight, increase in the holdings of neutral countries; for example, the combined holdings of Switzerland, Sweden and Turkey rose from the equivalent of \$1,273 million in December, 1942, to \$1,348 million in April. It should be mentioned that many Canadian gold holdings do not figure in the above table, having been transferred to the Foreign Exchange Control Board. Since the non-American holdings considerably exceed the maximum contribution that would be called for under the revised scheme, it might seem at first sight that this could be provided without difficulty. The point is, of course, that these outside holdings are not distributed proportionately to the probable allotment of quotas under the scheme. This country in particular, which might be required to deposit \$500 million or more, had by September, 1941, already disposed of all but some 4,000,000 ounces of its pre-war holding of close on 80 million ounces. Since that date, presumably, the reserve has been depleted still further. It is hardly to be supposed that this country will be willing in the difficult post-war transition phase, when its exports will have to bear the strain of meeting the gap in the current balance of payments and possibly of effecting some repayment of overseas sterling holdings, to export goods to the value of, say, £125 million simply to acquire a gold reserve. To burden the capital position still further with the service of an unnecessary gold loan would surely be almost equally undesirable.

Neutrals and "Tainted" Securities

By the terms of a Bank of England notice issued this week, no interest, dividends or capital repayments may be received by, or credited to, persons resident in Sweden or

Switzerland until collecting banks here have received solemn and detailed declarations from selected banking institutions in those two countries to the effect that the securities concerned are free from any enemy taint. These new declarations differ from those hitherto required in two important respects. First, a neutral banking institution of standing assumes the responsibility of confirming the title to the securities "either as a matter of personal knowledge or from full proof obtained and verified"; secondly, a history of the location of the securities since September, 1939, must now be supplied. This step is an earnest of the declared intentions of the United Nations to compel the Axis Powers (first and foremost Germany) to disgorge their loot, or at worst to prevent them from enjoying any benefit therefrom. It is presumably one of the first fruits of the study undertaken by the committee of Allied experts to deal with the problem of property stolen by the Germans in occupied countries. Not the least welcome feature of this new measure is the co-operation of two of the leading neutrals in this difficult task. If all of the neutrals can be enlisted, then the problem will be well on the way to solution. This week's other change in the administration of the regulations—the merging in Central American accounts of the "old" current accounts of residents of the countries concerned—is of minor importance, but is welcome as a further step in reducing the multiplicity of non-resident accounts.

What is a Franc?

What is the present sterling equivalent of the French franc for British holders of securities, expressed in the currency, who are being repaid? This question is raised by the notification by the Government of the Turkish Republic that Bonds of the three series of the Turkish Public Debt 7½ per cent, 1933, remaining in circulation will be repaid "by anticipation" at par, on November 25th next. The Bonds were created 10 years ago on surrender of the old Ottoman Bonds, and represented Turkey's share in the debt of the former Ottoman Empire. Redemption was originally designed to take place by 1983 by a cumulative sinking fund, but the Bonds were made redeemable on three months' notice after June, 1943. Early opportunity is being taken of this clause to repay a debt which carries, from the Turkish Government's viewpoint, a relatively heavy rate of interest, at a time when general conditions are eminently favourable to the repatriation of British-owned Bonds. An interesting question arises, however, owing to the fact that the loan is expressed in francs. The Bonds, of frs. 500 denomination, stand at about 45s. on the Stock Exchange, and it is assumed that British bondholders will be paid in sterling. There is, however, more than one possible conversion rate, including the so-called "de Gaulle" rate of 176 to the £ (the pre-war rate), the "Giraud" rate of 200, and what the market, a little irreverently, calls the "Kingsley Wood" rate—a hypothetical figure which might be assumed to allow for events since 1940 on the basis of the arguments which influenced the Treasury in Italy's case. History can have recorded few examples of repayment in terms of a currency of former international standing, at a time of the complete submergence both of its normal market and its issuing authority. A further complication arises from the provision limiting repayment in England to Bonds whose last coupons were encashed there or whose purchase can be proved by documents to have been made in this country before the publication of the present notice. It is estimated that about 10 per cent of a total issue of frs. 715,352,000 is held in this country. Though most bondholders have not received interest recently, there has been a market in coupons, and it is understood that some purchasers have been able to cash them in Switzerland. It would seem, therefore, that British holders who have disposed of their coupons in this way will qualify for repayment in England only if they purchased their bonds before notice of repayment was given. Clearly, the present international situation, which helps the borrower to repay, may on occasion create unexpected difficulties for those who are being repaid.

South American Bonds

There has been a good deal of discussion on the Stock Exchange of the treatment meted out, recently, to British bondholders by certain Central and South American countries. Severe criticism has been prompted by Mexico's action in tabling terms for debt conversion which London

deemed unfair and unacceptable and subsequently declaring them binding on their acceptance by 20 per cent (or less) of holders, at a time when the British Treasury was waiting, apparently, for a more formal offer before defining its attitude to the complaints of bondholders. The question of the renewal, or amendment, of the existing Brazilian debt scheme, again, must arise before next October. In this case, with little more than a month to go, British holders lack authentic details of the terms the debtor means to propose—or even whether there will be an opportunity to discuss them at all. It is known that the Brazilian authorities have been in communication with interested quarters in the City of London. No official intimation has been given, however, of the sort of terms which are being canvassed, though unofficial but fairly circumstantial reports current recently have suggested only a moderate improvement on existing arrangements—which market opinion would regard as doing injustice both to bondholders' claims and the debtor's improved international balance of payments.

Another potential bone of contention is the suggested desire of the Brazilian authorities that any scheme devised now should be made definitive and permanent, whereas bondholders would wish for one of limited duration which could be revised, in the light of changed circumstances, within a few years after the war. The Council of Foreign Bondholders has interested itself in the matter, and further comment must, necessarily, wait upon more definite information. There is, however, greater unity among investors now than at any time in the last fifteen years, in believing that the British Government might, perhaps, be a little readier than in the past to lend its aid, directly and indirectly, in ensuring that the strong points in their case are duly appreciated in overseas quarters. During the international currency difficulties of the early 1930's, particularly, embarrassed Government debtors in primary producing countries took many decisions which certainly could not be reconciled with any recognised canons of equity or contractual obligation. For example, provision for the application of part of the reduced funds available for debt service to the purchase, in the market, of bonds depreciated by the debtor's own default, became almost common form. Bondholders, in the troubled times of the last decade, frequently had little choice but to agree to, or connive at, such expedients. Their present approach, however, is based on the broad consideration that the terms which a debtor should accept, after due discussion with his creditor, should at all times be a function of his ability to pay, and that what happened in the crisis of the 1930's has little relevance to-day. Behind this, naturally, is the belief that Great Britain, bereft of so many of its best-paying overseas investments, should be prepared to fight as hard as possible to secure the utmost income from those which are left.

New War Bond "Tap"

The Treasury's decision to replace the current issue of 2½ per cent National War Bonds, 1951-53, on September 1st by a new issue dated 1952-54, but to leave the issue terms of 3 per cent Savings Bonds, 1960-70, unchanged, represents an effective compromise between the respective trends of official policy and the market. A cheap money policy in war financing requires an additional turn of the interest screw against borrowers whenever "tap" issue rates are changed. But the gilt-edged market price trend has lately been against the Treasury, particularly in the longer-term issues, the latest figure of the Actuaries Index (end July) for 2½ per cent Consols being 142.5 (December, 1928=100) against 146.9 a year earlier. More recently, however, the market for the shorter dated issues has shown a firmer tendency. The Treasury, therefore, has this time moved the redemption year-bracket of its shorter dated "tap" issue—war bonds—forward by only one year against two on the previous occasion; and has left the longer term issue—savings bonds—untouched. Actually, the effective tightening of the war bond screw is even less than a comparison of redemption years itself suggests, for the maximum currency of the new bonds, ten years and six months, is only three months longer than that of the existing war bonds when they were first issued. The total obtained by the Treasury from both varieties of "tap" bonds has now reached the impressive figure of £3,000 millions. The war bond issue which is being withdrawn has brought in subscriptions to date of approximately £480

MARCH IN STEP



As the conflict increases
in tempo as the
weight of our attack grows
. keep in step with
the fighting men. Save for
Victory—SAVE MORE

BUY 3% SAVINGS BONDS

1960-1970

BANK OF ENGLAND ISSUE

No limit to holdings. Purchasable in multiples of £50
Minimum first subscription £50

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUES

Maximum subscription £1,000; minimum first
subscription £10, then £5

Prospectuses and Application Forms obtainable
from all Post Offices, Banks and Stockbrokers

millions (compared respectively with £444 millions, £494 millions and £712 millions for the 1945-47, 1946-48, and 1949-51 issues), but the current total will almost certainly be swelled appreciably before the end of August by last-minute subscriptions. In due course the Treasury will have to take a decision about the present issue of savings bonds, which so far has brought in about £600 millions, against £713 millions for the earlier issues, dated 1955-65.

Aircraft Contracts

In its report on the aircraft industry, discussed in *The Economist* of August 21st, the Select Committee on National Expenditure gave an interesting account of the procedure adopted in fixing the price of aircraft. The cost plus system, inevitably, is employed in the initial stages of production, that is, for the prototype and for the first, or educational, batch of a new type. The method used for subsequent orders is the fixed-price system, based on technical estimates. Once the factory is tooled up for large-scale production the technical costs officers and accountants of the Ministry of Aircraft Production are in a position to prepare an estimate of costs; on the basis of these estimates, and the estimates prepared by the contractors, a price is eventually fixed for each order by the process of bargaining. In fixing the rate of profit for each contract, care is taken to provide an incentive to economise labour and materials, and for this reason it is related, if indirectly, to the capital employed by individual firms. The bargaining procedure, based on detailed estimates of costs, causes delay in the fixing of prices. Although the method is that of the fixed-price, prices are often fixed at an advanced stage of production, and the evidence submitted to the Committee suggests that a large proportion of orders is completed before a final price has been agreed. Since individual orders are usually for comparatively small batches, and as the sum in dispute is generally small, the Committee recommended that, in order to save the time of technical and accounting staffs and to increase the incentive to economy, the process of price-fixing should be shortened, even if this may sometimes result in a "bad" price.

Manpower Statistics

Statistics relating to manpower have been collected in the accompanying table. Included in the difference of 10,830,000 between the totals aged 14 to 65 and the numbers employed are about 10 million women engaged on essential household duties. Many of them are looking after evacuees and lodgers, are in the WVS or in other forms of voluntary work. School children and students, the sick and incapable account for the rest. The difference between the totals registered, and therefore called up or compelled to work,

DISTRIBUTION OF GREAT BRITAIN'S MANPOWER (000's)			
	Total	Men	Women
No. of persons between 14 and 65	33,130	15,900	17,230
No. of persons between 14 and 65 in forces or full-time employment	22,300	15,200	7,100
Covered by Essential Work Orders	8,300	...	...
Part-time workers in industry	...	...	650
Occupied in essential household duties	...	...	10,000
Registrations, total	19,283	...	...
Born, 1892-1900	...	1,933	...
" 1900-1925	...	7,750	...
" 1897-1924	...	...	9,600

and the number actually in the Forces and full-time work is striking. It is more than 4,000,000. They consist of men under 18 and over 51, and women under 19 and over 46. Altogether 2,000,000 people not normally gainfully employed are engaged in full-time work. Over 90 per cent of single women between 18 and 40 are fully employed, and of the 7,000,000 women between 14 and 65 who are working 2,500,000 are married.

US Silver for War Industry

According to the latest survey of the Guaranty Trust Company of New York, sales of surplus silver to war

industry will bring the US Treasury a substantial profit. The surplus metal is listed by the Treasury at a cost value of \$591 million, indicating an average purchase price of about 47 cents an ounce. The price fixed for sales of the metal, on the other hand, is that of 71.11 cents an ounce paid to domestic producers since 1939. On the sale of the whole surplus stock there would therefore be a profit of some \$300 million; but as the indications are that this would take about 25 years, the operation will hardly make a very significant contribution towards financing the war. The requirements of war industries are estimated at not more than 9,000,000 ounces monthly. Against this US domestic production exceeds 3,000,000 ounces a month, while 1,000,000 to 1,500,000 ounces are being imported (principally from Mexico and Peru) at the much lower import price of 45 cents an ounce, leaving only 4,000,000 to 5,000,000 ounces a month to be supplied from stock.

Canadian-Sterling Balance

The April-May issue of the *Statistical Summary* of the Bank of Canada contained a summary of the balance of payments between Canada and the sterling area during the war. Slightly re-arranged and further summarised, the figures are as follows (in millions of Canadian dollars):

	Calendar Years				Fiscal Year 1942/43
	1939	1940	1941	1942	
Current Account :—					
Receipts :—					
Exports (inc. munitions)	436	699	1,098	1,558	1,602
Freight and shipping (net)	8	40	83	57	59
Other services and miscellaneous (inc. war activities in Canada not involving exports)	15	44	99	143	147
Total	443	783	1,280	1,758	1,808
Payments :—					
Imports	177	236	279	226	200
Interest and dividends (net)	76	69	64	49	49
Other services and miscellaneous (inc. Canadian war expenditure in sterling area)	27	55	133	233	290
Total	280	360	476	508	539
Capital Account :—					
Receipts :—					
Total (inc. U.K. capital exp. in Canada, other capital receipts and decrease in Canadian sterling balances)	97	116	181	881	885
Payments :—					
Official repatriation of securities	75	137	189	296	73
Private capital payments (inc. repatriation)	105	111	73	51	48
Interest-free loan and contribution to U.K.	...	...	...	1,700	1,700
Purchases of gold and U.S. \$ from U.K.	2	248	...	23	166
Purchase of U.K. munitions plants	...	...	...	...	40
Increase in sterling balances and adjustments	...	82	728	74	106
Total	182	578	990	2,144	2,133
Balance of current account	+ 163	+ 423	+ 804	+ 1,260	+ 1,269
Balance of capital account	- 85	- 462	- 809	- 1,263	- 1,248
Errors and omissions	- 78	+ 39	+ 5	- 17	- 41

The close balancing of the totals of the two accounts should not be misunderstood. It arises from the way the figures are set out, since everything not otherwise accounted for must either be covered by Canadian loans or gifts to the United Kingdom or lead to an increase in the Canadian sterling balance in London. The more significant way of looking at the figures is to say that, over the four calendar years, Canada ran up credits on current account with the sterling area of \$2,650 millions, of which only \$1,370 millions could be met by the repatriation of Canadian debt or by sales of gold or U.S. dollars. These figures document the two basic facts of Canada's international position: first, that very large assistance has been given to the United Nations of the sterling area, most of all to the United Kingdom; and, secondly, that Canada depends entirely upon facilities for the conversion of sterling into US dollars for the balancing of her accounts. These facilities have not existed during the war, with embarrassing results for Canada. If they are not available after the war, the embarrassment will continue.

COMPANY MEETINGS

STANDARD BANK OF SOUTH AFRICA, LIMITED

RECORD BALANCE-SHEET FIGURES

DIVIDEND OF 14 PER CENT.

LORD BALFOUR OF BURLEIGH'S STATEMENT

The one hundred and thirtieth ordinary meeting of the Standard Bank of South Africa, Limited, was held, on the 25th instant, at the head office of the bank, 10 Clements Lane, London, E.C., the Rt. Hon. Lord Balfour of Burleigh, the chairman, presiding.

The secretary (Mr H. Dales) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year ending March 31, 1943:—

Last month we were all grieved to learn of the death at Pretoria of Sir Patrick Duncan, who had served with such marked distinction in many spheres and particularly as Governor-General of the Union since 1937. By reason of his high character and outstanding gifts he had wielded a wise and far-reaching influence.

On the day following the last meeting of shareholders came the sad news of the death of Sir Roderick Roy Wilson, whose able services as a member of the board had covered a period of over twelve years. In him the directors lost a valued colleague and friend.

SIR DOUGAL MALCOLM'S APPOINTMENT

In September last Sir Dougal Orme Malcolm, K.C.M.G., was appointed to a seat at the board. As you will know, besides holding the Presidency of the British South Africa Company he is connected with many African interests. We are fortunate in having the benefit of his wide knowledge of affairs in Africa and this country, and I am sure that at the general meeting the shareholders will be pleased to confirm the appointment.

The balance-sheet at March 31 last shows the record total of £153 millions. Compared with the figures for the previous year there is a further increase of about £31 millions in deposit, current and other accounts, which stand at £136 millions, this being again principally due to the large funds available as the result of expenditure by the Union Government for war purposes. Cash in hand and at call and short notice is higher by nearly £22 millions, and investments have increased by approximately £12 millions, placed in Government stocks. There was a decline of about £3 millions in bills of exchange purchased and of some £2 millions in customers' bills, etc., for collection, which was to be expected in view of the restriction of shipping to goods of an essential nature. The figures of bills discounted, advances to customers and other accounts show little change.

SATISFACTORY POSITION

You will see that the profit and loss account reflects a satisfactory position. The balance of profit for the year, after making an appropriation to contingencies account, was £568,326, being an increase of £7,586 over the figure for the previous twelve months. With the amount of £155,509 brought forward, the sum for disposal was £723,835. The interim dividend paid in January last absorbed £125,000, and after appropriating £50,000 for bank premises there is a balance of £548,835.

It is recommended that £150,000 be allocated to the officers' pension fund, that a final dividend of 7s. per share be paid, together with a bonus of 2s. per share, making a total of 14 per cent. for the year, and that £173,835 be carried forward.

When it was decided in 1914 to discontinue the holding of two meetings in each year the shareholders were informed that an interim statement of accounts would be published in addition to the annual balance-sheet. That practice has since been followed, but, having regard to the restrictions on the use of paper, copies of the statement of accounts as at September 30, 1942, were only sent to shareholders on application being made for them. Very few such applications were received, and apart from the economy in paper and saving in time and labour I feel sure the shareholders will agree that the preparation of an interim statement of accounts is now hardly warranted. It is therefore proposed to discontinue the issue of the statement.

CONDITIONS IN SOUTH AFRICA

With regard to conditions generally in South Africa, the process of continuous adaptation of Union economy to the fresh demands of the country's war effort has proceeded satisfactorily, and the enforced absence of various external supplies has encouraged the development of local resources with marked success. The direct and indirect contributions of the gold-mining industry have again proved indispensable to the maintenance of general economic activity.

In Southern Rhodesia special efforts continue to be made to develop base mineral deposits to meet war demands, and the production of copper in Northern Rhodesia has proved a valuable asset to the United Nations. In Nyasaland general business was good during the year owing to the better returns received by the farming community. Though many obstacles have had to be overcome and a prolonged drought was experienced, the East African territories have continued to play a great part in the war effort as producers of essential materials.

APPRECIATION OF STAFF'S SERVICES

I conclude by expressing our warm appreciation of the services rendered by the staff in Africa, London, and New York. Notwithstanding the difficult and trying conditions they have maintained their usual high standard of efficiency, and under the wise guidance of Mr Milton Clough and his colleagues in the administration in South Africa, and of Mr Ralph Gibsorn in London, the interests of the bank have been well cared for.

Since the outbreak of the war over 1,400 members of the staff have joined the Services in various spheres, a large number of them as members of the South African Forces which have acquitted themselves so splendidly in North Africa and elsewhere. We deeply regret to record the loss of 62 members of the staff who have given their lives in the cause for which we are fighting.

The chairman moved, "That the report and balance-sheet to March 31, 1943, now presented, be adopted."

Mr R. E. Dickinson seconded the resolution and it was carried unanimously.

THE DIVIDEND

The chairman: I have now to make the following declaration:—

"As empowered by the Articles of Association, on behalf of the board, I now declare a dividend for the six months ended March 31, 1943, of 7s. per share on 500,000 shares, as a final dividend for the twelve

months ended on that date, with a bonus of 2s. per share (making, with the interim dividend, a total distribution of 14 per cent. for the year), both payable in British currency and subject to income tax, to be paid to those shareholders whose names appeared on the register on August 4th, and to become payable on the 28th instant."

On the motion of the chairman, seconded by Mr E. Clifton-Brown, the retiring directors, Mr R. E. Dickinson and Brig.-General Sir Samuel H. Wilson, G.C.M.G., K.C.B., K.B.E., were re-elected.

The chairman next proposed the confirmation of the appointment to the board of Sir Dougal O. Malcolm, K.C.M.G., which was seconded by Mr Stanley Christopherson, and unanimously approved.

On the proposition of Mr Joseph Nissim, seconded by Mr. R. E. N. J. Seyd, the auditors, Mr Roderick M. Peat, F.C.A., Sir Nicholas E. Waterhouse, K.B.E., F.C.A., and Mr Leonard J. Osmond, F.C.A., were reappointed.

VOTE OF THANKS

Sir Frederick Eley, Bt., said that he was sure shareholders would like to place on record their appreciation of the services of the directors during another difficult year. The financial stability—he might almost say the fool-proof financial structure—of the Standard Bank was so well known that many people might think that it went on automatically, but he had had some experience of the bank and knew that an ever-vigilant eye had to be on the watch. He moved, "That the cordial thanks of the meeting be accorded to the directors for their attendance to the affairs of the bank and to the chairman for his conduct in the chair."

Sir Ernest Clarke seconded the vote and it was unanimously accorded, a brief acknowledgment by the chairman concluding the proceedings.

THE RHODESIA RAILWAYS, LIMITED

INCREASED NET EARNINGS

The forty-sixth ordinary general meeting of the Rhodesia Railways, Limited, was held, on the 24th instant, at 11 Old Jewry, London, E.C. Mr Arthur E. Hadley, C.B.E. (the chairman), presided.

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

The recent Government regulations reducing the amount of paper which may be used in printing the annual reports and balance-sheets of English companies are responsible for considerably less detail being given in the accounts now presented.

There was an increase in gross revenue of £272,315, as compared with the previous year, and working expenditure, after the special provision of £100,000 for the re-boiling of engines, was £241,552 higher, leaving net earnings with an increase of £30,763 at £2,556,660. The year was a busy one as well as a satisfactory one on the financial side, and our gratitude is due to the general manager and his staff for their successful handling under difficult conditions of heavy traffic essential to the war effort.

In addition to this operating profit of £2,556,660 there was an income of £270,172 from investments remaining after certain interest charges had been deducted, a profit of £30,998 from realisation of investments and the annual subsidy of £10,000 payable by the British South Africa Company until 1949.

There is also transferred to the credit of the net revenue account £176,327 (out of the amount of £544,511 provided during the year for depreciation and renewals) towards the annual payment for the redemption of 4½ per cent. debenture stock.

There was, therefore, a total amount of £3,044,156 to meet debenture stock interest £892,434, debenture stock redemption £208,268, excess profits tax in the Dominions £234,896 and income-tax in

Company Results

Coast Lines.

	Years to December 31,		
	1940	1941	1942
Total revenue.....	322,151	396,861	343,466
Directors' fees.....	1,400	1,310	1,400
Tax and NDC.....	63,509	191,500	72,000
Gross preference divs.....	194,250	194,250	194,250
Earnings on Ordinary.....	63,001	99,801	75,816
Paid on Ordinary (gross).....	—	50,000	50,000
Paid ".....	5-1	7-1	4-5
Paid ".....	Nil	2½	3
Tonnage replacement reserve.....	100,000	50,000	—
Carry forward.....	128,868	128,669	144,485
Net fixed assets.....	862,235	711,045	677,261
Net inter-company items.....	4,738,934	3,921,217	4,141,732
Net liquid assets.....	115,638	1,083,533	930,053
Gross liquid assets.....	678,916	1,534,841	1,445,598
Govt. securities.....	17,723	272,723	520,571

Includes £25,867 profit in respect of 1939 trading brought into 1940 accounts.

The £1 ordinary shares quoted at 13s. 9d. ex dividend yield 4 7s. 3d. per cent.

English Sewing Cotton.

	Years to December 31,		
	1940	1941	1942
Net income.....	253,421	261,243	226,914
Directors' fees.....	5,467	9,875	9,500
Depreciation.....	42,142	40,297	38,479
Pension fund.....	5,000	10,000	10,000
Gross preference divs.....	50,000	50,000	50,000
Earnings on Ordinary.....	150,812	151,071	118,935
Paid on Ordinary (gross).....	150,000	150,000	100,000
Paid ".....	7-6	7-6	6-9
Paid ".....	7½	7½	5
Carry forward.....	120,674	121,745	140,680
Net fixed assets.....	967,048	933,137	895,228
Net inter-company items.....	2,613,971	2,636,614	2,624,388
Net liquid assets.....	671,992	689,947	763,268
Gross liquid assets.....	1,520,293	1,451,209	1,504,576
Stock in trade.....	870,559	716,474	800,164

The £1 ordinary shares quoted at 35s. 6d. ex dividend yield 2 16s. 4d. per cent.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Coal Output.—The output of saleable coal in the four weeks ended August 7, 1943, averaged 3,097,800 tons a week compared with 3,579,700 tons in the previous four weeks. These figures are, however, not comparable with the previous four weeks owing to the incidence of the August holiday.

WEEKLY OUTPUT OF SALEABLE COAL

(Weekly Standard Tonnage 4,161,800 tons)			
Four Weeks ended*	1941	1942	1943
Oct. 3rd.....	4,146,600	4,076,100	4,013,700
Oct. 31st.....	4,131,400	4,124,500	4,005,200
Nov. 28th.....	4,196,650	4,126,500	4,005,200
Dec. 26th.....	3,853,400	3,880,100	3,936,600
1942.....	3,824,800	3,813,400	3,937,700
Jan. 23rd.....	4,028,000	4,016,400	3,997,800
Feb. 20th.....	4,028,000	4,016,400	3,997,800

* The actual dates given relate to 1942 and 1943.

PERCENTAGES OF DISTRICT TARGETS REACHED*

(During Four Weeks Ended)			
July 10, 1943	Aug. 7, 1943	July 10, 1943	Aug. 7, 1943
Northumberland.....	95.3	96.6	95.0
Cumberland.....	83.9	99.7	83.0
Durham.....	91.9	95.4	94.1
South Yorkshire.....	94.1	93.1	95.8
West Yorkshire.....	90.7	94.1	92.0
North Derbyshire.....	101.0	100.6	95.3
Nottinghamshire.....	98.3	98.3	95.3
South Derbyshire.....	102.2	101.9	99.7
Leicestershire.....	106.5	107.1	95.4
Leicestershire and Cheshire.....	96.9	93.0	100.0
North Wales.....	91.7	90.2	91.0
North Staffordshire.....	96.0	93.9	86.7
Cannock Chase.....	94.2	92.2	—
South Staffordshire and	—	—	—
Worcestershire.....	—	—	88.0
Shropshire.....	—	—	94.1
Warwickshire.....	—	—	93.6
South Wales and Mon-	—	—	93.8
mouthshire.....	—	—	92.0
Forest of Dean.....	—	—	95.0
Bristol.....	—	—	94.7
Somerset.....	—	—	93.2
Fife and Clackmannan.....	—	—	95.4
Lothians.....	—	—	100.0
Lanarkshire.....	—	—	91.0
Ayrshire.....	—	—	86.7
Kent.....	—	—	—

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control. † Not yet available. ‡ Still under review.

The production from open cast working (outcrops) averaged 116,600 tons per week. The three districts which qualify for output bonus are Leicestershire, Somerset and South Derbyshire.

Green Vegetables Prices.—The Minister of Food has made an Order extending the operation of the Green Vegetables (Maximum Prices) Order, 1942, as amended. The Order will come into force on September 2, 1943, for sales by growers, on September 4th for sales by wholesale, and on September 6th for sales by retail, and will renew the price schedules operative at the end of August except that the maximum prices for sub-standard broccoli and cauliflower will be reduced, and that no prices will be prescribed for kale. The Order will also prescribe maximum prices for brussels sprouts and sprout tops.

Argentine Meat.—The Ministry of Food has arranged with representatives of Argentina for the purchase of the exportable surplus of Argentine meat for the two years ending September 30, 1944. This covers the past season during which shipments have been proceeding in anticipation of the settlement of terms. The purchase has been made on behalf of the United Nations; it includes frozen, canned and dried meats. The supplies will be allocated in accordance with the recommendations of the Combined Food Board; as usual, however, the frozen and dried meat will be shipped mainly to the United Kingdom. Similar proposals have been made to Brazil and Uruguay.

Unemployment in July.—The total number of persons in all categories registered as unemployed at the employment exchanges on July 19th was 73,258. This represents a fall since

April 12th of 6,833. Unemployment among boys and girls rose as a result of school-leaving. Detailed figures for April 12th and July 19th are given below.

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed		Temporarily Stopped		Persons Normally in Casual Employment	
	Apr. 12, 1943	July 19, 1943	Apr. 12, 1943	July 19, 1943	Apr. 12, 1943	July 19, 1943
Men.....	44,102	39,735	747	726	1,867	971
Boys.....	7,114	8,786	6	16	2	2
Women.....	18,872	14,662	519	367	122	38
Girls.....	6,681	7,946	40	9	19	—
Total.....	76,769	71,129	1,312	1,118	2,010	1,011

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

	Aug. 19, 1943	Aug. 20, 1943	Aug. 23, 1943	Aug. 24, 1943	Aug. 25, 1943
	1943	1943	1943	1943	1943
Crops.....	120.5	120.7	120.5	120.5	120.5
Raw materials.....	182.3	182.3	182.3	182.3	182.3
Complete Index.....	148.3	148.3	148.2	148.2	148.2
Crops.....	147.9	147.9	147.9	147.9	147.9
Raw materials.....	207.3	207.3	207.3	207.3	207.3
Complete Index.....	175.1	175.1	175.1	175.1	175.1

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937*	Aug. 30, 1939	Aug. 18, 1942	Aug. 3, 1943	Aug. 17, 1943
	1937	1939	1942	1943	1943
Cereals and Meat.....	93.0	66.9	107.8	110.0	110.5
Other Foods.....	70.4	61.1	102.6	107.5	107.5
Textiles.....	74.2	54.3	90.6	92.9	92.1
Minerals.....	113.2	95.4	131.8	135.9	135.9
Miscellaneous.....	87.0	77.6	119.5	126.8	126.8
Complete Index.....	87.2	70.3	110.2	114.4	114.5

* Highest level reached during 1932-37 recovery.

FINANCE AND BANKING

THE MONEY MARKET.—Most of the big banks have been making up this week, but on the whole credit conditions have been easier. On Monday and Tuesday, it is true, there was little demand for bills from the banks, and some special assistance through the banks was given to the market, which obtained a

(Continued on page 285)

GOVERNMENT RETURNS

For the week ended Aug. 21st, 1943, total ordinary revenue was £54,669,000, against ordinary expenditure of £111,479,000, and issues to sinking funds of £275,000. Thus, including sinking fund allocations of £3,580,958 the deficit accrued since April 1st is £1,272,104,000 against £1,122,037,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Estimate 1943-44	April 1 to Aug. 22, 1942	April 1 to Aug. 21, 1943	Week ended Aug. 21, 1943
ORDINARY REVENUE				
Income Tax.....	117,500	225,471	283,100	8,953
Sur-tax.....	80,000	10,240	10,205	350
Stamp duties.....	100,000	38,643	39,080	1,892
Stamp duties.....	17,000	5,540	6,490	1,000
N.D.C. (Net Receipts).....	500,000	9,912	9,491	378
E.P.T. (Excess Profits Tax).....	1,000	108,581	167,356	9,770
Other Ind. Rev. (Income Tax).....	1,000	240	168	9,170
Total Ind. Rev. (Income Tax).....	187,500	398,627	515,870	22,343
Customs.....	525,320	177,584	207,625	8,073
Excise.....	450,180	155,200	173,560	3,800
Total Customs & Excise.....	975,500	332,784	381,185	11,873
Motor Duties.....	25,000	4,433	3,609	—
Canadian Govt. Contribution.....	—	141,332	—	13,483
P.O. (Net Receipts).....	—	—	—	—
Wireless Licences.....	400	10,250	—	600
Crown Lands.....	4,700	890	1,040	—
Receipts from Sundry Loans.....	800	360	380	—
Miscell. Receipts.....	4,100	878	1,931	76
Total Ord. Rev. (Income Tax).....	290,750	928,959	937,011	50,801
SELF-BALANCING P.O. & Broadcast.....	110,632	37,400	42,250	1,800
Total.....	301,812	966,359	979,261	52,601

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Receipts into the Exchequer (£ thousands)			
	Estimate 1943-44	April 1 to Aug. 22, 1942	April 1 to Aug. 21, 1943	Week ended Aug. 21, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	375,000	142,340	156,154	2,465
Payments to N. Ireland.....	9,500	2,683	2,656	—
Other Cons. Fund Services.....	7,500	3,440	3,261	34
Total.....	392,000	148,463	162,071	2,465
Supply Services.....	536,751	189,932	204,343	92,020
Total Ord. Exp. (Income Tax).....	575,875	204,779	220,554	94,486
SELF-BALANCING P.O. & Broadcast.....	110,632	37,400	42,250	1,800
Total.....	586,507	208,179	224,784	96,286

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £35,766 to £2,812,541, the other operations for the week (no longer shown separately) raised the gross National Debt by £55,889,048 to £18,124 million.

(Continued from page 284)

38 per cent allotment quota at last week's Treasury Bill tender, compared with 30 per cent at the previous tender. But, by Wednesday, there were bigger demands for September and Bank Return reflects the change. Not only is there a further reduction of £2,050,000, in the note circulation, but Government securities have risen by as much as £14,920,000 to £202,028,000. To the market. Bankers' deposits have risen to the very comfortable level of £166,767,000 an increase of £17,260,000 on the week.

MONEY RATES, LONDON.—The following rates remained unchanged between Aug. 20th and Aug. 26th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%, 3 months, 1½%; 4 months, 1½-1¾%; 6 months,

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	200
Overseas Trade Guarantees.....	44
NET RECEIPTS (£ thousands)	
War Damage Act.....	1,238
Overseas Trade Guarantees.....	106

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						
Aug. 22	975.0				Not available	
1943						
May 22	1050.0					
29	1065.0	1885.9	233.3	" ... "	983.5	4167.7
" June 5	1080.0				Not available	
" 12	1095.0				" "	
" 19	1110.0				" "	
" 30	3028.2		244.4	" 55.0 "	925.5	4253.3
July 3	1140.0				Not available	
" 10	1155.0				" "	
" 17	1165.0				" "	
" 24	1170.0				" "	
" 31	1170.0	1899.1	309.0	" ... "	973.5	4351.1
Aug. 7	1170.0				Not available	
" 14	1170.0				" "	
" 21	1170.0				" "	

PROVINCIAL BANK CLEARINGS
£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	Aug. 22, 1942	Aug. 21, 1943	Aug. 22, 1942	Aug. 21, 1943
Working days	6	6	197	196
Birmingham	1,947	1,407	83,975	79,785
Bradford	1,311	1,423	71,606	64,270
Bristol	2,461	569	83,347	22,296
Hull	619	497	25,691	19,862
Leeds	770	882	37,175	38,194
Leicester	758	668	28,412	28,413
Liverpool	3,512	4,620	159,463	149,638
Manchester	11,055	3,106	405,296	358,403
Newcastle	1,194	1,378	50,027	51,137
Nottingham	370	367	15,650	15,527
Sheffield	712	780	28,821	32,262
Southampton	84	88	3,854	4,486
12 Towns	24,693	15,785	993,227	864,303
Dublin*	5,634	7,034	218,042	235,568

* Aug. 15, 1942, and Aug. 14, 1943.

NEW YORK EXCHANGE RATES

New York	Aug. 18	Aug. 19	Aug. 20	Aug. 21	Aug. 22	Aug. 23	Aug. 24
Cables	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
London	90.750	91.000	91.000	91.000	91.000	91.000	91.000
Montreal	32.35	32.35	32.40	32.50	33.00	33.20	33.20
Zurich	25.05	25.05	25.05	25.05	25.05	25.05	25.05
B. Aires	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Rio	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10	4.10

* Official buying rate 29.78. † Free rate. \$ Bid.

OVERSEAS BANK RETURNS

CENTRAL BANK OF ARGENTINA
Million paper pesos

	May		April		March		February	
	1942	1943	1942	1943	1942	1943	1942	1943
Assets								
Gold at home	1,077	1,077	1,077	1,074				
Other gold and for. exch.	570	1,411	1,468	1,508				
Non-int. Govt. bonds	115	113	113	112				
Treasury bonds	394	392	392	392				
Notes in circulation	1,483	1,641	1,634	1,648				
Deposits: Government	31	437	449	466				
Banks	603	805	853	844				
Private	23	16	16	14				
Certs. of participation	23	16	16	14				
Reserve ratio	75.8%	81.9%	82.2%	82.5%				

U.S. FEDERAL RESERVE

Million \$'s

	Aug. 20, 1942		Aug. 5, 1943		Aug. 12, 1943		Aug. 19, 1943	
	1942	1943	1942	1943	1942	1943	1942	1943
12 U.S.F.R. BANKS								
RESOURCES								
Gold certifs. on hand and due from Treasury	20,548	20,108	20,069	20,050				
Total reserves	20,811	20,503	20,475	20,453				
Total cash reserves	249	341	334	329				
Total U.S. Govt. sec.	3,448	8,165	8,317	8,156				
Total bills and sec.	3,466	8,195	8,353	8,185				
Total resources	25,566	30,474	30,514	30,510				
LIABILITIES								
F.R. notes in circ.	9,923	14,433	14,522	14,625				
Excess int. bank res.	2,100	1,030	1,200	1,290				
Mr. bank res. dep.	12,653	12,336	12,456	12,659				
Govt. deposits	240	398	295	99				
Total deposits	14,236	14,384	14,403	14,146				
Total liabilities	25,566	30,474	30,514	30,510				
Reserve ratio	86.1%	71.2%	70.8%	71.1%				
BANK AND TREASURY RESOURCES								
Monetary stock	22,744	22,335	22,306	22,291				
Treasury & bank currency	3,333	4,993	4,091	4,092				
LIABILITIES								
Money in circulation	12,956	18,014	18,101	18,214				
Treasury cash and dep.	2,446	2,679	2,578	2,378				

BANK FOR INTERNATIONAL SETTLEMENTS—Million Swiss francs of 0.29 grammes

	May 31, 1942		Feb. 28, 1943		April 30, 1943		May 31, 1943	
	1942	1943	1942	1943	1942	1943	1942	1943
ASSETS								
Gold in bars	45.5	73.6	75.1	75.1				
Cash	42.1	30.7	29.6	15.7				
Sight funds	15.7	15.3	15.6	15.6				
Commercial bills	119.1	117.9	118.7	122.1				
Treasury bills	21.0	28.4	27.9	26.1				
Time funds and invest.	202.3	195.0	196.0	194.1				
LIABILITIES								
Deposits:								
Annuity	152.7	152.7	152.7	152.7				
German	76.3	76.3	76.3	76.3				
Central Banks	16.0	16.1	16.1	16.1				
Other	3.9	1.4	1.1	1.1				
Gold	29.0	38.7	39.0	38.7				

RESERVE BANK OF INDIA
Million rupees

	Aug. 7, 1942		July 15, 1943		July 23, 1943		Aug. 6, 1943	
	1942	1943	1942	1943	1942	1943	1942	1943
ASSETS								
Gold coin and bullion	444	444	444	444				
Rupee coin	239	145	148	153				
Balances abroad	761	931	920	955				
Sterling securities	2,968	5,708	5,777	5,829				
Ind. Govt. rup. sec.	1,024	1,184	1,115	1,083				
Investments	65	74	93	77				
LIABILITIES								
Notes in circ.: India	4,602	7,374	7,389	7,404				
Burna	145	252	309	309				
Deposits:								
Banks	652	636	654	654				
Others	72.1%	82.2%	83.1%	83.6%				
Reserve ratio	72.1%	82.2%	83.1%	83.6%				

SOUTH AFRICAN RESERVE BANK

Million £'s

	July 24, 1942		July 9, 1943		July 15, 1943		July 23, 1943	
	1942	1943	1942	1943	1942	1943	1942	1943
ASSETS								
Gold coin and bullion	59.86	70.86	71.45	72.15				
Bills discounted	1.10	11.97	11.82	11.82				
Invest. and other assets	58.02	88.48	86.83	87.21				
LIABILITIES								
Notes in circulation	31.81	45.66	44.32	43.43				
Deposits:								
Government	3.53	5.91	5.06	7.25				
Banks	71.50	108.85	110.52	111.04				
Others	7.70	6.39	6.38	5.84				
Reserve ratio	52.2%	43.0%	43.1%	43.3%				

BANK OF PORTUGAL

Million escudos

	April 29, 1942		April 14, 1943		April 21, 1943		April 28, 1943	
	1942	1943	1942	1943	1942	1943	1942	1943
ASSETS								
Gold	136.4	159.4	213.94	213.94				
Balances abroad	195.0	5,363	5,363	5,363				
Discounts	281.8	21.9	21.9	21.9				
Securities	354.6	399.1	399.1	399.1				
LIABILITIES								
Notes in circulation	445.8	4,549	1,541.8	5,433.7				
Deposits:								
Government	125.8	2,251.4	2,251.4	2,251.4				
Banks	309.6	0.442	4,442.7	4,442.7				
Others	283.8	334.7	434.4	421.8				
Foreign commitments	235.4	235.0	241.5	241.6				

CENTRAL BANK OF TURKEY
Million Turkish pounds

	June 13, 1942		April 3, 1943		June 5, 1943		June 12, 1943	
	1942	1943	1942	1943	1942	1943	1942	1943
ASSETS								
Gold	138.4	180.5	180.5	180.5				
Clearing and other exch.	135.0	133.7	132.4	132.4				
Treasury bonds	351.6	455.2	397.9	387.1				
Commercial bills	55.6	60.8	61.1	61.1				
Advances	257.8	258.0	257.3	257.3				
LIABILITIES								
Notes in circulation	608.0	721.6	743.6	744.4				
Deposits	195.1	261.3	193.0	193.0				
Clearing and other exch.	26.9	24.6	25.9	25.9				

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1942			1943						
		1929	1932	1939	1940	1941	1942	June	July	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)																	
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937=100	...	78	108	111	110	114	111	117	122	110	112	115	118	117	119	...
2. " " Other merchandise	"	...	83	102	107	109	102	106	89	123	85	81	94	110	92	90	...
3. " " Total	"	...	161	210	218	219	216	217	206	245	195	196	209	228	211	209	...
4. Registered unemployed G.B.†	Thousands	...	81	105	109	105	108	108	104	87	99	...	...	80	...	...	...
5. " " United Kingdom (a)	"	...	1,212	2,756	1,514	963	1,035	1,067	1,071	1,071	1,107	1,121	1,114	1,105	...	...	...
6. " " London (b)	"	...	1,276	2,813	1,690	1,035	392	144	124	124	107	...	...	80	...	...	...
7. " " E. and S. England (b)	"	...	118	306	239	214	59	29	27	26	19	...	...	16	...	...	...
8. " " S.W. England (c)	"	...	50	142	93	99	28	10	7	6	...	...	...	98	...	...	...
9. " " Midlands & N. Midlands (d) (e)	"	...	69	177	76	33	16	5	4	4	...	...	...	...	...	...	...
10. " " N.E. England (d)	"	...	165	371	176	33	16	5	4	4	...	...	...	2	...	...	...
11. " " N.W. England (e)	"	...	280	602	151	75	30	8	7	5	3	...	...	...	...	...	...
12. " " Northern (d)	"	...	285	562	309	149	54	15	13	15	...	...	...	5	...	...	...
13. " " Scotland	"	...	156	378	127	51	24	20	22	19	...	...	...	10	...	...	...
14. " " Wales	"	...	156	378	217	125	51	24	20	22	...	...	...	9	...	...	...
15. " " Northern Ireland	"	...	16	228	127	89	41	14	14	13	...	...	...	18	...	...	...
16. Industr. disputes. No. days lost	"	...	36	68	76	75	42	21	18	17	...	...	...	12	...	...	...
		...	676	541	107	78	87	126	356	42	90	37	34	122	68	178	112
Wholesale Prices: Economist.																	
17. Cereals and meat	1929=100	...	100	70.4	76.2	93.9	102.4	110.1	112.5	115.7	111.5	112.3	112.7	113.5	114.1	113.9	114.3
18. Other foods	"	...	100	72.8	76.4	95.4	111.0	118.3	118.4	121.7	122.8	125.1	123.5	125.3	125.3	125.3	126.3
19. Textiles	"	...	100	53.4	63.8	94.0	100.7	100.7	100.6	100.1	102.5	99.9	100.2	101.4	101.8	101.6	101.6
20. Minerals	"	...	100	76.3	80.0	125.0	135.7	139.2	136.7	138.0	143.5	141.1	141.1	142.2	142.2	142.1	143.8
21. Total, incl. miscellaneous	"	...	100	67.8	80.3	104.3	114.0	121.1	119.8	120.8	122.8	122.8	122.7	123.6	124.0	124.2	124.2
Cost of Living: Min. of Labour:																	
22. Food	"	...	100	81.8	92.4	107.2	108.7	104.9	103.9	103.9	106.5	106.5	107.1	107.1	107.1	109.1	106.5
23. Total	"	...	100	87.8	96.4	113.1	121.4	121.9	122.0	122.6	121.5	126.5	127.1	127.1	127.1	127.1	127.1
24. Industrial securities, Fin. News	Jul. 1, 1935=100	...	102.0	64.0	78.1	68.2	74.3	82.9	77.7	81.4	93.7	137.2	121.3	120.7	121.3	98.6	106.5
25. Fixed interest	1928=100	...	96.8	113.6	116.8	122.8	129.6	133.9	133.2	133.5	134.3	136.6	137.6	136.6	136.6	133.9	134.3
26. Govt. Revenue, cumulative (f)	Mill. £'s	...	819.0	827.0	1108.2	1495.3	1217.6	2922.4	508.0	750.0	1846.0	2230.7	2659.4	2932.9	157.1	389.0	1293.3
27. " expenditure (f)	"	...	825.9	859.3	1146.2	1495.3	1217.6	2922.4	508.0	750.0	1846.0	2230.7	2659.4	2932.9	157.1	389.0	1293.3
28. Bank of Eng.: Notes in circ. (g)	"	...	362.3	258.5	509.9	3970.7	4876.3	5739.9	1320.7	1668.1	1413.9	4678.7	5147.7	5739.9	405.1	950.3	1433.4
29. " Bankers' deposits (g)	"	...	62.9	81.3	102.8	566	651.3	806.9	794.0	814.9	903.9	912.9	914.4	927.9	943.8	949.5	947.4
30. " Gov. sec. B'king Dept. (g)	"	...	55.9	64.0	107.0	143	142.8	150.7	141.2	154.0	159.5	161.6	152.4	159.1	172.0	165.7	170.8
		...	...	...	...	...	...	...	...	...	...	185.5	173.8	186.6	159.3	184.9	170.8
Clearing Banks: (h)																	
31. " Deposits	"	...	1,738	1,791	2,248	2,484	2,970	3,376	3,263	3,264	3,629	3,577	3,525	3,542	3,545	3,566	3,630
32. " Cash & bal. with B.E.	"	...	194	187	244	265	311	344	355	342	390	378	373	377	377	387	368
33. " Discounts	"	...	229	308	255	366	231	235	292	273	198	197	148	172	128	154	236
34. " Treasury Deposit Receipts	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
35. " Advances	"	...	991	844	991	944	849	795	543	607	896	935	932	884	964	924	859
36. " Investments	"	...	257	348	608	659	919	1,069	1,058	1,063	796	773	758	761	776	756	757
37. Interest Rates: Bank rate	Per cent.	...	5.98	3.08	2.24	2	2	2	2	2	1,120	1,112	1,108	1,132	1,137	1,150	2
38. " Three months' bank bills	"	...	4.47	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
39. " Day to day loans	"	...	4.47	1.87	0.87	0.76	0.75	1.00	1.00	1.00	1.00	1.03	1.03	1.03	1.03	1.00	1.00
40. " Yield on 2½ Consols	"	...	4.61	3.75	3.76	3.40	3.12	3.02	3.03	3.02	3.03	3.03	3.03	3.03	3.06	3.08	3.10

(Continued from page 285)

Egypt. Piastres (974) 974-4. India. Rupee (184. per rupee) 174-18.4 d.
Belgian Congo. Francs 176-1. China. National \$3-3 1/2. Iran. Rl. 123-130.

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 16-00 pesos (Aug. 13th, 16-04).

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.

INVESTMENT

Stock Exchanges: New York

STANDARD STATISTICS INDICES

(WEEKLY AVERAGES) (1935-36=100)

	1943		Aug. 4, 1943	Aug. 11, 1943	Aug. 18, 1943
	Low	High			
	Jan. 6	July 13			
37 Industrials	81.1	103.5	96.1	96.4	97.2
32 Rails	72.6	93.9	90.5	90.5	91.9
49 Utilities	67.9	83.8	83.7	85.6	86.4
49 Stocks	78.5	100.9	94.1	94.4	95.2
Av. yield %	5.36	4.35	4.67	4.68	4.64

* 50 Common Stocks. (a) July 20.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Aug. 12	116.1	454,000	Aug. 16	116.8	489,000
" 13	117.3	835,000	" 17	117.5	553,000
" 14	117.2	210,000	" 18	117.9	560,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). 1 Two-hour session.

London

"FINANCIAL NEWS" INDICES

1943	Total Returns in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Aug. 19	4,930	3,763	104.2	133.3
" 20	5,412	3,766	104.2	133.3
" 23	6,831	4,511	104.4	133.3
" 24	5,534	3,395	104.2	133.3
" 25	5,164	3,384	104.2	133.3

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 306 (Aug. 3); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 2); lowest, 133.9 (July 2).

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
August 28, 1943			
To Shareholders Only	952,147	902,603	6.2
By Permission to Deal	2,095,593	107,344	1,915.1

Particulars of Government issues appear on page 285.

Year†	Including Conversions	Excluding Conversion
1943	1,284,723,485	1,166,327,71
1942	1,032,965,631	1,018,344,30

Destination*

Nature of Borrowing

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1943	1,165,103,260	2,585,843	638,677	1,155,857,937	1,652,701	8,812.31
1942	1,017,840,421	349,372	65,190	1,011,496,371	731,318	6,017.71

* Conversions Excluded. † Includes Government issues to August 17, 1943, only. Above figures include all new capital in which permission to deal has been granted.

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:

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	Cochin	Madras	Kistumu	Kenya
Amritsar	(S. India)	Mandlay	Mombasa	Colony
Bombay	Calcutta	Nuwara	Nairobi	East
Calcutta	Delhi	Eliya	Nakuru	Kenya
Calcutta	Kandy	Rangoon	Entebbe	Kenya
Cawnpore	Korachi	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.

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 HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$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, 8,900 Agencies at

Post Offices in Australia.

As at 30th June, 1942—General Bank Balances ... £181,729,589

Savings Bank Balances ... 164,519,569

Note Issue Department ... 111,850,540

Rural Credits Department ... 2,421,174

Other Items ... 20,380,871

£481,101,744

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

An exceptional opportunity presents itself for a man, preferably with a fairly full electrical experience, to take over the control of the selling activities of a well-known company specialising in certain types of electrical heating. This might be of particular interest to a Supply Company's Officer, who at the same time has had practical experience of the control of outside Sales Staff and measurements of markets on up-to-date lines.

Remuneration will be by basic salary with increments based on results achieved.

Please send full particulars of age, education, experience, business career and when available, in strict confidence, to Box 288, THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2.

Resubmitted to the Society
Finance Dept. for perusal
and return
12.3.43

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5219

REGISTERED AS
A NEWSPAPER

SEPTEMBER 4, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

1843—1943

The first issue of *The Economist* was dated September 2, 1843. Had the centenary fallen in peacetime, a large special issue could have been published, in which full commemoration could have been made. In wartime, when paper restrictions make no exceptions for centenaries, this cannot be, and the present modest issue—rather smaller than an average peacetime issue of *The Economist*—has only been made possible by hard-hearted stinting of paper week by week.

It was thought wrong to allow these transient embarrassments to abbreviate the record of the past, and a collection of essays dealing with *The Economist's* first century has accordingly been published as a book, of which an announcement will be found elsewhere.

There remained, however, the problem of what use to make of the few pages that could be scraped together for this issue. After much thought it was decided to include two articles on the past history and the present policy of the paper—the former wholly and the latter partly based on the centenary volume—but not to attempt here any further record of the past. This is, after all, the first issue of the second century, not the last of the first century. The bulk of this special issue is therefore devoted to a collection of articles that look forward rather than back. There is, in these articles, no attempt at completeness, though something is included for nearly all of *The Economist's* many interests. Each article is self-contained and the whole is neither a platform nor a manifesto—and still less a prophecy. Every one of them has been written by the staff of *The Economist*, whose instructions were simply to project their minds forward on some specific subject of their special concern. The purpose is to provide present readers of *The Economist* with food for thought on the problems of the post-war world—and to give the readers of 2043, when they come to celebrate the second century, a cross-section of the paper's present views which they will be able to compare with those of James Wilson, the first editor.

The events of the present week are dealt with in the "Notes of the Week" and "Business Notes" sections, which begin on page 334. "American Survey" and "The World Overseas" do not appear this week.

The Economist has many strengths. But by far the greatest of them is the loyalty and indulgence of its readers. The present Editor, on behalf of his predecessors and his successors no less than of himself, takes this opportunity of rendering thanks to the multitude of *The Economist's* friends.

In the great caravan of human affairs, the journal of opinion, if it be humble and honest, has its place. *The Economist* has stayed with the caravan for longer than is given to most. It hopes to stay a great while longer.

CONTENTS

THE ECONOMIST, 1843—1943

The First Hundred Years

The Economist's Policy

TOWARDS THE SECOND CENTURY

Britain in the World	The Future of Banking
Active Citizenship	The Standard of Living
Enterprise and Efficiency	Why Nationalise?
Trade Unions	The Steel Industry
An International Example	Markets Under Control
Commonwealth or Empire?	Investment—The Second Century
Notes of the Week - 334	Business Notes - - - 342
The German Retreat; Europe Resurgent; War in Denmark; Screws on Sweden; Exit King Boris; The Pattern of Production; The Human Element; Recognition at Last; French Reactions; Indian Food; The Catholics and the White Paper; From Anomaly to Anomaly; The Dilemma's Horns; The Small Trader; Food Economy; Science in Industry; Sugar and Clothing; Second Thoughts in Spain; Miners' Welfare.	Fall in Activity; Four Years of War Finance; No Corner in Industrial Diamonds; Building Society Concentration; Revised US Currency Plan; Anglo-Iranian Taxation; Unwilling Sellers; Costings for Wool Textile Trade; Utility Furniture; The Marginal Producer; Coal as a Raw Material; Absenteeism in ROF; Austin Debenture Conversion; The Future of Tin; Company Results.
Records and Statistics - 348	Company Meetings - - 348

THE ECONOMIST, 1843—1943

The First Hundred Years

The Founding Family

THE first number of *The Economist*, or the Political, Commercial, Agricultural and Free Trade Journal, a weekly publication, appeared on September 2, 1843, one hundred years and two days by the calendar before the date of this, the 5,219th number. The paper's first editor was James Wilson, founder and sole owner; the second editor was Walter Bagehot, Wilson's son-in-law; and *The Economist* "owes its birth, upbringing, graduation and establishment" to the Wilson family. James Wilson, banker, politician, publicist and financial expert, was a distinguished public figure. He was several times Member of Parliament, and was successively Financial Secretary to the Treasury, Paymaster-General and Finance Member of the Council of India; it was he whom the Chancellor of the Exchequer called to his side in 1857 when he conferred with representatives of the Bank of England on the crisis in British finances; and his budgetary reforms, carried through in the closing months of his life, became the basis of the finances of India. *The Economist* has been Wilson's fitting monument.

Walter Bagehot, Wilson's discovery and chosen successor, was a great man, a great thinker, a great critic, and a great journalist. He came to write for Wilson on banking in 1857, married Eliza, Wilson's eldest daughter, in 1858, and in 1859 took charge of *The Economist* (under the nominal supervision of Richard Holt Hutton of the *Spectator*) when Wilson went to the work in India that proved to be his last activity. In 1860, when Wilson died, Bagehot was confirmed as editor; and, until he died in 1877, his editorship of *The Economist* was the pivot of a famous career that spanned the whole of Victorian life and letters. There is no more significant pointer to the nature of the man and his age than the fact that the author of *The English Constitution*, *Physics and Politics*, *Lombard Street* and *Literary Studies*, the adviser of Ministers, the associate of all men of light and leading, and the active vice-chairman of the Stuckey Somersetshire Banking Company, the largest private bank of issue in England, was first and foremost *The Economist's* editor. Lord Bryce called him one of the finest minds of a great and remarkable generation "which included Charles Darwin, Lord Tennyson, Lord Kelvin, Clerk Maxwell, Thomas Huxley, and John Stuart Mill." Mr. Gladstone claimed gratefully that he had enjoyed "the advantage of frequent and free communication with him on all matters of finance and currency." Matthew Arnold praised among all his qualities "his concern for the simple truth," and it was this concern that caused Bagehot to write *Lombard Street*, as Lord Keynes once put it, "to knock two or three fundamental truths into the heads of City magnates"; to write *The English Constitution* to knock two or three other fundamental truths into the heads of politicians; and to furnish *The Economist*, not only with a brilliant series of leaders, year in and year out, on political and economic topics, but also with a unique apparatus of statistical technique and analysis.

Wilson's *Economist* was described by Frédéric Bastiat, two years after its foundation, as "a precious collection of facts, doctrine and experience mutually supporting each other"; and the paper's unique character and reputation were made in the single generation between its foundation and the death of Bagehot. Throughout *The Economist's* history, the greatest progress in its statistics and economics has been made by the editors who have concerned themselves most also with political, social,

international and general topics. The founder and his son-in-law struck this note from the start. They shared a passion for facts; but they shared, too, a passion for individual liberty and the common interest and a broad interest in the whole range of public affairs.

James Wilson not only designed and launched this paper; he gave it a charter, sailing orders and a course to steer that are all still valid; and he left it furnished, through the piety of his family, with a lasting safeguard against misdirection and wreck. For eighty-five years *The Economist* was a family business. At his death the founding father bequeathed it in trust to his six daughters, and handed on its editorship to his son-in-law. To the fact that, for sixty-eight more years, *The Economist* remained the property in trust of the Wilson family, the paper has owed its complete independence of any interest or party. Wilson's daughters lived long and cared much for their *Economist*; Mrs Bagehot, the eldest, died in 1921; the last to go, Mrs Barrington, who wrote biographies of both Wilson and Bagehot, died only ten years ago. There is no more picturesque feature in the history of any newspaper than the gentle proprietorship of these long-lived ladies.

When the reign of "the dear old ladies" (as Francis Hirst called them) and their descendants came to an end with the sale of *The Economist* in 1928, after the original property had been broken by death and descent into a complicated series of subsidiary trusts, the Wilsons did their duty to the last. Arrangements were made with the purchasers to keep the paper's editorial independence intact, for it was realised that "if the control of *The Economist* were to pass either to a newspaper group or to any particular financial interest, a reputation built up on independence of judgment and unfettered criticism would be jeopardised." Half the voting shares in the new company, *The Economist Newspaper, Limited*, went to Financial Newspaper Proprietors, Limited (now *The Financial News, Limited*), and half to a strong group of individual shareholders; and a Board of Independent Trustees was appointed, not only with the right (possessed by other newspaper trusts) to veto transfers of voting shares, but also with the power to veto the appointment or dismissal of editors—a fresh step forward in the maintenance of independent journalism. All those who have read, directed or written for *The Economist* in the course of its first hundred years have owed what they have prized to the Wilson family; and it is a debt that should be deeply underlined in this centenary issue. For a century, *The Economist* has been no man's creature but James Wilson's; the present editor is as free as the founder from financial control or pressure, and he, as much as James Wilson himself, is solely responsible for the policy of his paper.

A Sound Property

It was a sound property that James Wilson handed on to his descendants and successors. By founding *The Economist* to be "a medium of practical usefulness to commerce, manufacturers and agriculture" and "to combine with these the political and general views of the week," to be read mostly by the business men who held the balance and directed the development of Victorian England, but to cover, as well as business matters, every topic at home and abroad in which an intelligent business

man might take an interest, he staked out a claim in world journalism that has never been jumped. *The Economist* was, as its extended title showed only a few months after its foundation, a Political, Literary and General Newspaper, as well as the Weekly Commercial Times, Bankers' Gazette and Railway Monitor. It was, and is, a journal of public affairs with its own special approach, the quantitative approach of the political economist, trained to try every argument or doctrine by reference to facts and figures. Its readership, though always influential, has never been large. The immense influence of Bagehot's *Economist* everywhere English was read was derived from a circulation in the neighbourhood of 3,000; and the world-wide esteem of the paper in the years before this war was built upon the sale of some 10,000 copies a week. The outbreak of war in 1939, and the extension of the conflict in 1940-41, lost to *The Economist* nearly a quarter of its total sale. But this has been recouped during the war by increased circulation in Great Britain and in other countries that are still free, and in August, 1943, the last month of the hundred years, the circulation just exceeded the pre-war record.

Yet there was no year in the century in which *The Economist* did not pay its way. It has never "made money." Its profits have always been small, often well below the ruling rate in other businesses, but they have never failed, for, from the start, *The Economist* met a need which has never been met elsewhere. James Wilson drew a winning ticket in the lottery of journalism by founding a paper whose contents were to be based upon, though not bounded by, a systematic weekly survey of economic data at the very beginning of a century in which the economic aspect of social, political and international relations was to be the dominant theme. He and Bagehot provided industrial Britain with a continuous chronicle of commercial, industrial and financial intelligence illuminated by shrewd, principled and educated comment. *The Economist* was, and is, a sound property because this journalistic formula has proved a good business proposition. The people who counted in Victorian England welcomed eagerly a paper whose function was to record, measure, analyse, expound and interpret facts; to set its long-term assessments of political, economic and social trends against the short-term preoccupations of politicians and business men; to plot and chart trading, manufacturing and investing England, with developing techniques of measurement as trade, industry, transport and finance grew and ramified; and to state, from its own special vantage point, what its editors believed to be the dictates of right conduct and wise action in public affairs.

Not even the best of intentions on the part of James Wilson's descendants and successors could have kept *The Economist* alive and independent for a hundred years if the paper had not paid its way. Nor was it enough for this purpose to give a small though influential circle of readers, at home and abroad, what they wanted. No newspaper, in fact, can live on its circulation alone; and it is another proof of the acumen of *The Economist's* founder that, as early as 1847, he saw straight to the heart of the economics—and politics—of modern journalism. In a leading article, Wilson wrote "Whether a journal can be sold to its readers for a penny or sixpence with profit to its proprietors depends, therefore, on the revenue it can obtain from advertisers. In addition to the financial and other advantages which advertising confers on the Government and the public, it sustains in wealth and independence that press which is the best guardian of the public liberty."

The Formula and the Tradition

"The old delusions of seclusion, exclusion, restriction, interference and protection are waxing old, and are even now ready to vanish away." James Wilson wrote these words in the first issue of his paper. He founded *The Economist* "in order to further free trade principles," and in particular to secure the repeal of the Corn Laws. But, although he had the moral backing of Cobden,

Bright and the Anti-Corn Law League and the financial support of Lord Radnor, Wilson did not permit the paper to be the League's propaganda sheet. To business men at home and intellectuals abroad, *The Economist* spoke from the outset for the shrewd, hard-headed British liberalism which was the most dynamic element in the political thinking of that generation. The Corn Laws were repealed three years after the paper's foundation, but *The Economist* went on. "Wilson's life ended," Bagehot wrote in 1860, "at the moment when the ideas and doctrines he had so fully expounded had acquired the fullest acceptance in England, and were about to be applied in some measure throughout Europe." But, though its initial programme had, apparently, been successful, *The Economist's* usefulness was not ended. The tradition and the formula of Wilson and Bagehot remain undulled to-day.

Probably never has a newspaper been so well begun. Wilson laid the foundations. He stated the doctrine of free trade, low costs, cheap food, free enterprise, prosperity and peace. He attacked the view that "because good trade was accompanied by high prices, the recipe for prosperity must be price-raising on the basis of inconvertible notes"; and opposed both the theory of the Bank Charter Act and the arguments of its critics. He rested his opinions of trade and finance upon the facts which he displayed in full to his readers—the weekly statement of "prices of Government Funds, Foreign Securities and Stocks and of the various descriptions of Joint Stock Companies in Great Britain and Ireland, with the most recent information respecting the same"; the Railway Monitor surveying every week the statistics and problems of railway building and finance; the Weekly Commercial Times reporting the state of the markets; the Board of Trade Returns, in full; the Bankers' Gazette setting out all the relevant figures of money and banking. Here was the basis of Wilson's views on economic trends at home and political trends abroad. He supported political reform in order to remove impediments to trade and enterprise. But, until his collaborator, Nassau Senior, persuaded him that the unrest of oppressed European peoples might be more dangerous to social and economic progress than drastic political changes, he opposed political revolution because of its threat to business stability and international commerce.

Wilson to Bagehot

Wilson had three chief aides: Herbert Spencer, who was assistant editor from 1846 to 1853; Nassau Senior, the economist, who wrote leading articles on foreign affairs and foreign policy for over a decade, organised a remarkable intelligence service on the Continent and was responsible for *The Economist's* attitude to post-1848 Europe, to Austrian and Russian Imperialism, to the Eastern Question and to Napoleon III; and Walter Bagehot. Bagehot, in his turn, was no less well served. Senior continued to write for him until his death in 1864; William Newmarch, economist and statistician, was collaborator in the great advance made in statistical technique during Bagehot's editorship; the statistician, Robert Giffen, was Bagehot's assistant editor and right-hand man from 1868 to 1876; Daniel Connor Lathbury, who was to write for *The Economist* for over thirty years and to be joint editor for six, wrote leading articles.

It is impossible to summarise in this short space Bagehot's contribution to *The Economist's* growth. The scope of the paper's scrutiny now became the whole of the economy. Its technique of recording data became expert, specialised and unrivalled. To Wilson's records and statistics, Bagehot added the "Investor's Monthly Manual," which not only provided full facts and figures about all investment matters, but also interpreted and took stock, month by month, of every trend in the market, against the social, political, economic and international background; the "Annual Commercial History and Review," which reported year after year, in uniform style, the course of business in every trade and industry and every district; the "Joint Stock Banking (later simply

'Banking') Supplement," which surveyed banking as the "Manual" and "History" did investment and trade, though less fully; and, experimentally, a "Budget Supplement" which described the public finances.

The Economist has been a pioneer in the use as well as the presentation of statistics, and under Bagehot the Index of Wholesale Prices began a long story of achievement. *The Economist* was the first newspaper to publish regularly a price index comparing prices at different dates, and the Index still appears fortnightly, though not in its original form. This was the chief contribution of William Newmarch to Bagehot's *Economist*; he had begun to calculate indices of various commodity prices in 1859, and had been followed by Jevons, who used the prices quoted in *The Economist* as the basis of his calculations; from 1864 Newmarch's indices were published regularly in *The Economist*, and in 1868 they were added together to make a crude composite index, based on the years 1845-1850.

For Bagehot, as for Wilson, facts and figures were raw material, the beginning not the end of argument, the yardstick by which to test the doctrines of the day. Never were two editors less doctrinaire. Bagehot was above all a realist, especially in his treatment of foreign affairs. But his main province as a leader-writer was at home; British interests and British affairs, especially those of the markets, came first. He explained the nature and significance of the money market in the style of "Lombard Street"; he wrote regularly on limited liability, on the defects of company managements and the excesses of finance companies. He attacked the "laxity and easiness" of the policy of the Bank of England, for he regarded the Bank's policy of following instead of leading the market as "a recipe for making panics." He emphasised always, in politics as in economics, in government as in banking, manufacture and commerce, that "sound practice never could be secured by ready-made rules, but only by leaving men free to learn, with full personal responsibility, the policies which would best serve their long-term interests."

Consolidation

The death of Walter Bagehot ended an epoch in the story of *The Economist*. Not again until the reign of Sir Walter Layton (1922 to 1938) was progress of the same order made. After Bagehot the story falls into four distinct stages: the interregnum from 1877 to 1883, when R. H. Inglis Palgrave, the economist and statistician, shared the editorship with Daniel Connor Lathbury, who probably wrote leading articles for *The Economist* for a longer period than any other man; the humdrum period of consolidation under the "business" editorship of Edward Johnstone, the first trained City journalist to be editor of *The Economist* and the longest in office (1883-1907); the period of Francis Wrigley Hirst (1907-1916) and Hartley Withers (1916-1921), when the former's notable attempt to revive and restore the catholic, humane and expert tradition of Wilson and Bagehot was defeated by the First World War and its aftermath; and the period of recovery and reconstruction under Sir Walter Layton. It may be that a fifth period, one of great opportunities and high responsibilities, is already beginning, ushered in by the Second World War.

To say that the earliest and latest chapters of the story are outstanding is not to decry the achievements of the editors and writers who came between. Palgrave's monetary and statistical expertise advanced both the doctrine and the technique of the paper in its special fields. It was in his editorship that the first attempt was made to measure the terms of overseas trade, that is, to ascertain how far changes in the value of exports and imports were due to changes in price and how far to changes in volume; and many of Palgrave's articles on the technical problems of the money market "have become incorporated in the standard literature of banking."

When, in 1878, *The Economist* published its first calculations of the terms of trade, it is probable that

Robert Giffen, who had been Bagehot's devoted assistant and statistician until he went to the Board of Trade in 1876, had helped in the work. Giffen, indeed, would have been Bagehot's obvious successor. Instead, he remained at the Board of Trade and assisted in founding *The Statist* in 1878. It was the fact that Giffen was not chosen to edit *The Economist* in 1877 that left the gap which was filled by the joint editorship of Palgrave and Lathbury. During this interregnum the routine burden of editing and management was borne by A. J. Wilson, the assistant editor, a financial expert who was to found the *Investor's Review* in 1891. For the greater part of its history *The Economist's* staff was minute, and the successive editors owed an immense amount to the compendious labours of individual assistants such as Spencer under Wilson, Giffen under Bagehot, A. J. Wilson under Palgrave/Lathbury and Walter William Wright under Johnstone. Apart from salaried assistants, there were also the regular outside contributors, such as Bagehot under Wilson, Senior under Wilson and Bagehot, Newmarch under Bagehot and Herbert Asquith and Alfred Milner under Palgrave/Lathbury and Johnstone.

A New Start

It was in Johnstone's long editorship that this system of a few industrious apprentices in the office and an increasing number of outside leader-writers became unwieldy and unbalanced. The staff remained tiny, the number of regular contributors grew and, in effect, the leader columns of the paper were "put in commission" in the hands of a group of writers on special topics. When Francis Hirst took over in 1907 it was his task to convert a stereotyped *Economist*, designed primarily to instruct and advise business men on mainly business matters, into the journal of public affairs that Wilson and Bagehot had planned. From the start Hirst, classical in both his scholarship and economics and passionately Liberal in his politics, wrote his own leaders on the whole range of

NOW AVAILABLE.

The Economist, 1843-1943

A Centenary Volume

CONTENTS.

- THE ECONOMIST, 1843-1943. By the Editor.
- A HUNDRED YEARS. By the Deputy Editor (in collaboration with A. H. Chapman).
- THE ECONOMIST AS A SOURCE FOR THE HISTORIAN. By Sir John Chapman.
- A POLITICAL RETROSPECT. By E. L. Woodward.
- WALTER BAGEHOT. By Francis W. Hirst.
- THE ECONOMIST AND FOREIGN AFFAIRS. By Graham Hutton.
- THE MONEY MARKET. By W. T. C. King.
- THE STOCK EXCHANGE. By Hargreaves Parkinson.
- RECORDS AND STATISTICS. By the Industry and Trade Editor.
- BAGEHOT AND THE TRADE CYCLE. By Walt W. Rostow.

178 pages, with two portraits. Price 7s. 6d. net.

Published by the
OXFORD UNIVERSITY PRESS.

To be obtained through booksellers; NOT from the publishers or from THE ECONOMIST.

public topics. He began the building of a competent and able staff of assistants inside the office; he made it his aim to raise the standard of editorial writing, to broaden the paper's outlook, and to restore its principles and its influence in political circles, while losing nothing of its weight in the City and the centres of trade and manufacture. He brought in Alexander Murray Stewart from the City desk of *The Tribune*; the Laytons, Walter and Gilbert; David Eric Wilson Gibb, a connection of the owning family; Hilton Young, later City Editor of the *Morning Post* and editor of the *Financial News*, and now Lord Kennet; Leonard Reid, who later became City Editor of the *Daily Telegraph*; Mary Agnes Hamilton, the first woman in the editorial record; and C. K. Hobson.

What Johnstone had done in his twenty-five years should not, however, be underestimated. He had consolidated the gains of his remarkable forerunners, and even enhanced the high authority of his paper in the City proper. Under him *The Economist* had spoken in its old accents against the blunders and lack of leadership that brought on the Boer War and then bungled its conduct; and the "raging, tearing" tariff propaganda of Joseph Chamberlain had been opposed with characteristic vigour. But there was too often a narrowness and a complacency about Johnstone's journal; it was assumed too readily that free trade, low costs, cheap food, free enterprise and, above all, peace and prosperity—the objectives of the founder—had come to stay. Johnstone had kept an old-world *Economist* in good repair; the regular record of Capital Issues was introduced early in his editorship; and the "Investor's Monthly Manual," the "Annual Commercial History" and the Trade and Banking Supplements waxed and flourished. But the paper had lost its statesmanship and fallen out of line with the political and journalistic requirements of a new era. It was inclined to be dull. Hirst made a new start. The tragedy is that his work was undone by the war he hated and opposed.

Trial and Recovery

The work of Francis Hirst, despite the disillusionment and disappointment that he suffered, was not in vain. It was his reforms that set the standard for the post-war, or rather inter-war, *Economist*. He had shown that the way to revive the legacy of Wilson was, first and foremost, to improve and increase the personnel of its staff and to better and broaden its style, scope and technique—precisely the lines on which Sir Walter Layton worked during his sixteen years "from Washington to Munich." Hirst followed Bagehot and preceded Layton in the statement and application of broad principles in public affairs and in the search for new and better instruments for recording facts and measuring economic change. He began the quarterly analysis of industrial profits in 1909 as "perhaps the most direct test of home trade at present available." As an editor in the technical sense he was exceptionally accomplished. As a writer of leaders he was always lucid and polished. As an expositor of economic doctrine he followed Cobden and in foreign policy Lord Morley rather than Sir Edward Grey. Ceaselessly he argued the inseparable connection between prosperity and peace, and showed how much Europe and Britain stood to lose by war.

"The economic, financial and social convulsions attendant upon a general European war appeared too evil to incur by any action or policy. Only to contemplate them as deterrents was enough for the editorials of those years." But the general European War came in 1914. The stable, rational and peaceful world that Johnstone had taken for granted and Hirst took as the postulate of all his arguments came to an end. The high Liberalism, the editorial gifts and the moral fervour of *The Economist's* last peacetime editor were no defence against the shocks of a changed and changing world. On July 8, 1916, he wrote in a farewell article: "Since the war began, the function of an editor who believes that truth and patriotism ought to be reconciled has been difficult and

even hazardous. . . . In my view the financial fabric of Western Europe is in imminent peril, and in a few more months it will no longer be possible to disguise the bankrupt condition of several great nations. Civilisation as we have known it, and representative institutions are doomed unless, through the exertion of individuals, the rights without which an Englishman at any rate will hardly care to live are speedily restored. To this end freedom and independence must somehow be won back for Parliament and the press."

Hirst's successor, Hartley Withers, was the second City journalist to edit *The Economist*; Johnstone, who worked for fifteen years in financial journalism with *The Scotsman* and *The Pall Mall Gazette*, had been the first. Withers, trained in a stockbroker's office, was City Editor of *The Times* before he came to *The Economist*, and was remarkable both as a financial journalist and as an economic author for his power of simple, direct and forceful exposition. His tenure of office was not a fortunate one. His writings were high in reputation and wide in influence; his attacks on wartime inflation and unsound war finance were trenchant and telling; and his comments on the problems of peace and reconstruction were often timely and to the point. But he had to carry on through the final years of war and the following period of post-war dislocation with only a meagre wartime staff; and in 1921 he left *The Economist* to participate in a new journalistic venture.

With the coming of Sir Walter Layton at the beginning of 1922 the second epoch of real development in the paper's history began. He recruited new men; he introduced new methods and new features; he reached out, not always with complete confidence and not always successfully, for new ideas in tune with the new age. He set out to build up a sufficiently large, sufficiently competent and sufficiently specialised staff inside the office to conduct all branches of the paper's work; and he continued the use of able and expert outside collaborators. On his staff he had Hargreaves Parkinson, now Editor of the *Financial News*, Aylmer Vallance, later Editor of the *News Chronicle*, Norman Crump, now City Editor of the *Sunday Times*, Douglas Jay, afterwards City Editor of the *Daily Herald*, Graham Hutton and Geoffrey Crowther. From outside Professor Arnold Toynbee wrote on foreign affairs, and H. V. Hodson on the Empire.

Journal of World Affairs

Perhaps the greatest single development between the wars was the extension of *The Economist's* concern with world affairs. Articles on foreign policy, correspondence from overseas, international statistics—all these went back in origin to the first epoch of development under Wilson and Bagehot, when *The Economist's* news and views from European capitals and the United States, in the paper's own peculiar genre, were already notable. Under Johnstone and Hirst they were still a special and unique feature. But under Layton a long step forward was taken; overseas features were given a new and foremost place and a wider range, in line with the international preoccupation and problems of the times.

The avoidance of another world war was again set first in *The Economist's* policy; but the isolationism or limited liability preached to this end before 1914 were now seen to be not enough. Britain alone could not defend itself and its Empire against an aggressor. (Bagehot had expressed much the same view long before.) Sixty or more articles between 1924 and 1929 posed the choice between effective pooled security and an unlimited and disastrous arms race; and the paper insisted, almost weekly, after 1931, on the preferability, from the world's and Britain's standpoint alike, of the former course of strengthening the executive powers of the League of Nations "through a limitation of national armaments coupled with and dependent on an agreement to translate collective security into effective action."

At the same time as *The Economist* was being made once more into a principled and purposeful survey of world as well as British affairs on a new model, progress

was equally being made in its records and statistics. Once more, the collection and measurement of facts, the analysis and interpretation of quantitative trends and the broadening of the paper's political and journalistic outlook went hand in hand. The Insurance Supplement surveying the whole field of insurance activities was introduced; a new, regular Budget Supplement giving all the facts and figures about central and local finance was begun. The Index of Shipping Freight Rates was started in 1923, "in view of the violent movements in tramp shipping freights and the important relation between freight rates and the volume of world trade." The Index of Insurance Share Prices was begun in 1927. The Index of Business Activity, to show short-term variations in the ebb and flow of general economic conditions, was first published as a composite index in 1933. In 1928, Newmarch's Wholesale Price Index, which had been revised under Hirst in 1911, was again revised and enlarged; and in 1940, under Layton's successor, a new Sensitive Price Index was announced.

Change and Quest

In doctrine as in personnel, make-up and technique, the Layton years were years of change and quest. New judgments and old conventions jostled one another in the paper's approach to the problems of money and banking, investment and industry and trade. The return to gold was regarded by *The Economist* in 1925 as Montagu Norman's "crowning achievement"; but the paper was not an unthinking adherent of the orthodoxy of those years. It was, for example, consistently opposed to the payment of war debts, and the argument of the Macmillan Committee that Bank rate should be raised to meet a disequilibrium due, not to a rise in domestic prices, but to a fall in world prices, was shrewdly questioned. But the May Report of 1931 was welcomed, and *The Economist's* cure for the crisis was to cling to gold and cut costs ruthlessly.

The 1931 crisis, the collapse of the gold standard, the Great Depression and the recovery under managed and cheap money blew away many cobwebs. *The Economist* was compelled, like many others, when faced by the

problems of pre-war and war economics, to evolve a fresh monetary policy, based on a grasp of realities and an understanding of new techniques. By the eve of the war *The Economist* held clear views on rearmament finance, full employment and inflation; the attempt was being made to place the monetary policy in perspective against the wider economic background.

Then came the war, the single track of wartime journalism and the straitjacket of paper rationing. What contribution the paper may have made to war economics and war finance is recent and can be read. The internal development of the paper has been less obvious. Dimly there can be seen the triune form of the post-war *Economist*—the Survey of Public Affairs, at home and abroad, in the front of the paper; the Business World in the middle; and Records and Statistics at the back—embodying the political, expert and factual formula of Wilson and Bagehot in a new and more precise form. The Layton version of the "precious collection of facts, doctrine and experience mutually supporting each other," in which the distinct sections of the paper were sorted out for separate and specialised treatment, has now been carried a stage further. And the concern for world affairs has continued; the weekly American Survey has been born, as well as the *ad hoc* wartime surveys of Germany and Russia at war. *The Economist*, even in wartime, reaches this centenary milestone on the march.

A handful of men working in a small family business have created a journal whose fame and readership run round the world. *The Economist* is, and always has been, an anonymous paper; almost without exception its articles have gone unsigned and its editors and their staffs have not been named or advertised. It is this impersonality that has made possible what continuity of tradition, balance of judgment and weight of influence the paper has possessed. But it is right that on such an occasion, which will not be repeated until September 2, 2043, this tribute should be paid to the men—and latterly women—who have produced *The Economist* every week for a hundred years and transformed the small venture of James Wilson into an international institution.

The Economist's Policy

THE ECONOMIST was founded to expound and to propagate a specific and clearly defined philosophy. Its particular concern in the first few years was, it is true, only with one aspect of that general philosophy—namely, with the removal of all obstructions to the free import of food. But from the start the repeal of the Corn Laws was seen against a much wider background. James Wilson refused to make his paper an official organ of the Anti-Corn Law League; and the victory on this particular issue came so promptly and completely and, once achieved, was so little challenged that the infant *Economist* either had to widen its horizons or disappear. For the rest of Wilson's editorship, and much more so in Bagehot's, it became a general advocate of the Liberal philosophy.

There can rarely have been such an articulate and consistent philosophy, or one so carefully worked out in all its details by men of letters and so scrupulously followed, again in all its details, by men of state. So well known is it, even to-day, that description is quite unnecessary. It has become the fashion to sneer at "Cobdenite shibboleths," and to be a member of the Manchester school is becoming more of a confession than a boast. But the principles of Victorian Liberalism have nevertheless been the foundation of Western democratic society and provide far more of the substance of the present-day world than the present-day world acknowledges. *The Economist* was born into the very centre of this philosophy, and for almost eighty out of a hundred years professed its doctrines substantially unchanged.

The ideas expounded in *The Economist* since the end

of the First German War, and especially in recent years, are not those of the Manchester school. In a world so changed, they hardly could be. Wilson and Bagehot were no believers in static ideas—their whole philosophy was of expansion and free development in ideas as well as in material things—and their marvel, if they could return to-day, would probably be that so much of their ideas remains rather than that there have been changes.

Freedom and the Common Interest

So many battles have been fought round the symbols of the liberal faith that it is often forgotten that they were only symbols. The ultimate objects of nineteenth-century liberalism were part of that great awakening of the human spirit which marched in step with the developing technique of the modern world. Opinions will naturally differ on precisely what, in any order of ideas, is a fundamental dogma and what is mere changeable expression. But the two dominant beliefs of the liberal philosophy are comparatively easy to identify. The first is freedom—the belief that it is not only just and wise but also profitable (in politics and in economics) to let people do what they want to do. The second is the principle of the common interest—that is, that human society need not be an arena of conflict, but that it can be an association for the welfare of all. Nearly all else in the beliefs of *The Economist* of a hundred years ago is merely incidental to these two grand principles. Wilson and Bagehot believed that freedom for the individual and the common welfare of the society of individuals could best be served by free

trade, free enterprise and political reform at home, by disarmament, commerce and fraternity abroad. A hundred years later, we have come to have doubts about the efficacy of the means they devised to attain their ends; but in their ends—in liberty and the common interest—we still believe as passionately as ever. The problems of the national and the international society seem, in 1943, to be more complex and more difficult than they did in 1843, and less capable of solution by simple and embracing formulas. But the ultimate goals remain unchanged.

The greatest difference in means between the twentieth-century liberal and his forefathers is the place that he finds for the organising powers of the state. James Wilson firmly believed that the state was the enemy of freedom, the instrument not of the general welfare but of the special interest. Bagehot, too, was, in general, what would to-day be regarded as a believer in *laissez faire*. But he had the clear sight that is needed to distinguish between ends and means and the far sight that can see what is coming down the corridor of time. In 1867, an address of his contained these very modern-sounding words:

The English state is but another name for the English people, and to be afraid of it is to be afraid of ourselves. . . . The co-operative, if not the compulsory, agency of the state ought, too, to be used far more than now in applying to our complicated society those results of science which are new to this age. . . . The relation of a free and intelligent Government to practical science is a new subject, because such science is very modern, and such Government almost inconceivably rare.

Eighty-six years have passed since those words were written, and in that interval both the need for the state's organising power (for the application to society of "science") and also its power to organise society intelligently have grown, as Bagehot saw they would grow. James Wilson, if he were to reappear, might need some convincing before he would accept the place of the state in modern life; Bagehot would find himself at home.

The policy of *The Economist* can, then, be expressed as being that of adhering to the fundamental objectives of 1843, but of modifying the means of attaining those objectives as time passes, as experience accumulates and as the climate of society changes. It so happens that this centenary falls towards the end of a period when not merely *The Economist* but liberal society in general has had to make substantial adjustments—in its appraisal of the means that will best serve the unchanged ends of society. The opportunity is therefore a good one for re-stating, more deliberately than is possible from week to week, *The Economist's* opinion of the methods of political and economic action, at home and abroad, which seem, in 1943, best fitted to achieve the two great objects of liberty and the common welfare. This is done, in a generalised way, in the present article. The articles that follow are specific examples, chosen as illustrations and without any pretence of completeness.

Political Structures

The men of 1843 had less courage of their convictions in political matters than in economic. As economists, they stood for the radical solution, they were for going the whole hog. But in politics they hesitated. They saw the iniquities and the impossibilities of autocracy and aristocracy; they detested the *ancien régime*, both French and British; but they were still frightened of democracy. We are neither better men nor bolder; but we have learned that the fears of democracy were groundless. We have learned that there is at least as much corporate wisdom in the many as in the few, and perhaps more. And we know, what our grandfathers could not possibly have guessed, that a universal-suffrage electorate, men and women, can provide more votes for the Conservatives than for any other party in seven elections running. It would be unduly cynical to suggest that it is only because of this demonstrated traditionalism of the masses that there is such general attachment to democracy to-day; it has its roots in much more sincere emotions. But, whatever the cause, it is a manifest fact that there is no wish

in any significant quarter to go back on the principle of universal suffrage.

The ballot box, by itself, however, can mean much or little. Hitler and Mussolini have ruled by the ballot box. The other element in democracy is consent, and on that too there can be no going back. One more demonstration—and one of history's most impressive—is unrolling before our eyes that methods of consent pay in the long run. The British democracy can assert with some pride that, even in war, it moves by the consent of its members. The conscientious objector is as much a symbol of democracy as the ballot box.

The political formula of 1943 is thus much the same as that of 1843, with the timidities disproved and the toleration possibly enlarged. It is government by consent, the consent being expressed by free votes in an opposed election. It is a formula which is just receiving the powerful reinforcement of achievement. The British political system has stood the test of this war as well as—no, better than—any other. But there are nevertheless certain tendencies of development—possibly of improvement—at which it will be as well to glance.

The Place of Parliament

The state of to-day is a very complicated piece of mechanism, dealing with difficult and highly technical problems, which demand both foresight and consistency. To say that they require the attentions of experts is possibly to give a false impression. The problems that face the statesman are not beyond the understanding of the common man, when the common man has the necessary data and will think about them. The expert is merely a common man who has all the data about one set of problems and keeps his mind directed to them. He is an example, in the political sphere, of that division of labour and specialisation of function which, in the economic sphere, is the foundation of all wealth. The expert stands for foresight and consistency in policy—in a word, for efficiency in the mechanism of the state; while even the most fervent democrat has to admit that the ballot box sometimes disrupts consistency and the need to secure consent hampers foresight. There is a dilemma here—how to use the expert and still preserve government by free consent, how to combine the managerial revolution with parliamentary democracy—and it is leading to a shifting in the emphasis of the constitution, especially in the position of Parliament. A hundred years ago Parliament was the Sovereign Assembly, of which the Cabinet was the Executive Committee. It was Parliament that decided, Parliament that made and unmade Ministers. That is still what it is described in the text-books, and it is still a theory to which elaborate deference is paid, not least by the present Prime Minister—perhaps because he is the only Prime Minister of recent years who can be said to have been put in office by Parliament. But the *de facto* reality behind the *de jure* theory is that it is the Government that decides, deriving its authority from the people. Parliament can criticise and bring pressure; it keeps its sting, but, like the bee, if it stings it dies in the act. A General Election nowadays is, in fact, a referendum to elect a Prime Minister and in the triumvirate of People, Parliament and Executive, it is the first and the last who nowadays share the sovereignty. In the nineteenth century, the triumvirate was in stable equilibrium, but to-day's position has more analogies with the eighteenth century. Two hundred years ago, the crown or the party group in possession of the executive power used the electors as a device to get the Parliament they wanted—and they rarely failed. The electors were elaborately courted, but their free choice was a romantic myth. To-day, the people use the House of Commons as a device to get the Government they want, and the sovereignty of Parliament is becoming somewhat mythical.

This argument must not be pushed too far. In particular, it must not be pushed to the lengths of supposing that Parliament is losing its useful functions. That is not in the least the case. But Parliament's useful function is changing. In the nineteenth century, it was the process of legislation that held the centre of the stage. To-day, it is

a rarity for the divisions on any Bill to excite much interest, while the Parliamentary Question and the adjournment debate are coming into their own. The most important function of Parliament in these days is neither to make and unmake Governments (the people do that) nor to decide upon legislation (the Government does that), but to criticise, to cross-question and to discuss. Not merely administration, but legislation also, are increasingly—and must increasingly—be left to the experts or (to give them their derogatory title) the bureaucrats.

The late Lord Chief Justice invented for this tendency the name of the New Despotism. But it cannot be stopped, and if it could, the result would be chaos. Under the pressure of new circumstances, a new form of government is emerging. It is no longer true that the executive merely administers the laws that Parliament, in its wisdom, enacts; it is nearer the truth to say that Parliament enacts the laws that the executive, in its wisdom, drafts—and if this latter statement diverges from the truth it is because there is a great deal of legislation, in peace as well as in war, which Parliament never sees.

This new system of government is no less democratic than the old—criticism is free and the Government's mandate is given by the people and can be taken away by the people—but it is less Parliamentary. It involves the citizen in a steadily increasing toll of compulsory duties; but it is no less based on consent, since none of these duties will be pressed to the point of overriding genuine scruples of conscience and any one of them can be removed by the will of the people. It is an example of the flexibility of British institutions, when challenged, to adapt themselves to the need for consistent and expert management of the nation's affairs.

The Economist's opinion is that this political development—this accretion of power to the executive and this transformation of Parliament into an advisory body—is not one to be viewed with alarm. It is in the logic of events. Indeed, so much in the present world revolves around the mechanism of government, that its efficiency must be the paramount consideration. Nevertheless, the incidental effects of the development will need careful watching. The new system, for example, must not be deprived of its basic consent, and consent implies knowledge. Any attempt by the Government, therefore, not merely to have the executive and the legislative power, but to exercise it in secret, will have to be resisted to the utmost. "Let the people know" is an essential maxim of any democracy, and not least of this new emergent type.

From Consent to Co-operation

Consent is an essential prerequisite of any form of democracy; but it is a negative element, and one of the greatest needs of the twentieth century is to transmute it into something more positive. British institutions are freer than any in the world—in the negative sense that they commit less tyranny on the individual. But if they are to measure up to the demands of the next few decades, they need to have generated behind them the explosive force of the active co-operation of a whole people. There have been examples in past history of the enormous momentum that can be developed when a whole people feels itself at one with its institutions; the classical example is the sudden change from the effete and disintegrating France of Louis XVI to the dynamic energies of the Convention, and something of the same spirit fired Elizabethan England. But it has been left for our own age to show what enormous forces can be generated when the enthusiasm of a whole people is united with the technique of the modern state. We have seen it in Nazi Germany, and then again in Soviet Russia. But neither of these is governed by consent, and a free system ought to be able to do far better. If these energies, tempered by free consent and harnessed to the technical efficiency of British government, could be directed to the peacetime purposes of democracy, the twentieth century would be a second Elizabethan age for Britain.

The task is, then, one of arousing positive enthusiasm for institutions which are now merely accepted. The

British citizen *should be* an ardent participant in his public affairs; he is little more than a consenting spectator who draws a distinction between "We" who sit and watch and "They" who run the state. There is no lack of signs that he is unhappy in his rôle; the passion for Russia that has been such a feature of the last two years is probably to be interpreted less as an admiration than as envy—envy of a country that is not frustrated. The note of hysteria in the acclamation of the Beveridge Report (admirable though that document is) betrays an almost pathetic desire to break loose from invisible bonds that have held the British community back for twenty years. It is difficult to diagnose exactly what is missing. It may be that the chronic ineffectiveness of the Labour Party is clogging the natural safety-valve—that there is no effective way of going into Opposition. It may be that the peculiar social structure of modern Britain, based on and perpetuated by a dual system of education, is creating psychological obstructions. But whatever the cause, it must be one of the chief labours of the next few decades to level the barriers between "We" and "They." This must be done not merely because it is just, but mainly because we cannot afford not to. Democracy in the twentieth century needs fire in its belly; it is an internal combustion engine that cannot run on one cylinder only.

Economic Objectives

The outstanding difference in economic ideas between 1843 and 1943 is that they had only one economic objective, while we have three. A hundred years ago the fact of poverty was obvious and insistent. The shortage of material goods was so clearly the chief defect of the prevailing economy that the creation of more wealth imposed itself on the men of 1843 as by far the most important task of political economy. More production was needed, at almost any cost. Not that the men of 1843 were wholly materialist. "If we look around us at home," wrote James Wilson in the Preliminary Number of *The Economist*, "we see ignorance, depravity, immorality, irreligion abounding to an extent disgraceful to a civilised country; and we feel assured that there is little chance of successfully treating this great national disease while want and pauperism so much abound; we can little hope to improve the mental and moral condition of a people while their physical state is so deplorable." It was not that material wealth was the only sound object of policy; it was so essential a means of attaining all other objects that policy should concentrate upon it.

In the twentieth century, economic policy has three objects. They have been defined by Professor Pigou as being to increase the national income (the old policy of increasing the sum total of wealth), to improve the regularity of the national income and to improve its distribution among the individual members of the community. In more homely terms, they can be expressed as being to abolish poverty, to diminish unemployment and to reduce inequality.

A very great deal, if not quite all, of the differences in attitude towards the economic problems of the day is implicit in this change. For example, the development from complete *laissez faire*, as preached in *The Economist* of 1843, to a belief that the organs of the state have a most important and positive function to perform in the national economy, as expressed in *The Economist* of 1943, is a necessary consequence of the widening objective. *Laissez faire* may well be, in certain circumstances, the ideal system for securing the largest and quickest possible increase in the total income of the community, if regularity and equality are unimportant; but no one has ever made a convincing case for *laissez faire* as a means of avoiding economic fluctuations or of reducing the inequality of incomes. The task of the twentieth century is thus more difficult than that of the nineteenth: there is no simple formula to attain a single object, but a com-

plex policy to achieve a balance between different, and sometimes diverging, objects.

Laissez faire is all but dead in the Britain of 1943. There is still some verbal advocacy of it; but practice diverges more completely from it with every month. And the overwhelming majority of opinion is ready to accept the view that both the free enterprise of the individual business man and the collective initiative of the organising state have their part to play in a sound economy.

The Economist of 1943 accepts this view. The germ of it can be found in Bagehot's address of 1867, quoted above. There is no prepossession for collective organisation in principle—there is rather an awareness of the great difficulties it involves. But equally little is there any fear of the state in principle—there is rather a recognition that without the organising powers of the state many of the inventions of the natural and the social sciences will run to waste.

Private Enterprise and State Control

Thus the economic problem has its analogies with the political. In both, it has been necessary to abandon the position that freedom merely means the absence of all constraints, and that the general interest will automatically be served by allowing every citizen to pursue unrestrained his own individual self-interest. In politics, the intervening hundred years have been a long experiment in the balance of the compulsory and the voluntary. In economics, there is a similar problem in balance between freedom and order, and far less progress has been made in working it out.

It is in working out this formula that the problems of the next hundred years will present themselves. There will, first of all, be the problem of delimiting the frontier between the proper spheres of order and of freedom. It is easy to say that the province of collective organisation is in assuring all that is basically necessary to the economic life of the individual and of the community, while the fullest freedom of private initiative should be left for all that varies with taste and circumstance. But the formula is neither very scientific nor very easy to follow. It will be proved or disproved only by many decades of trial and error. The sphere of collective organisation once delimited, there will be the problems of evolving the technique of state control. And there will be the problems of ensuring that the development of "purposive direction" in the community's economic affairs does not choke the freedom of individual initiative in that vast field where progress and prosperity will continue to depend on private enterprise. Private enterprise, in fact, will need defending from itself as well as from the state; monopoly in all its forms is going to trouble the next hundred years much more than it ever did the last.

The keynote, in 1943 as in 1843, is boldness in the interests of expansion. A hundred years ago, complete free trade was a courageous policy to advocate. To-day, *The Economist* believes in removing the obstructions to constructive private enterprise, and it believes in experimenting with methods of collective organisation far more courageously than hitherto. But this phase is necessarily experimental. Wilson thought the state to be the enemy of freedom; to-day it is counted as a friend, or at least given the benefit of the doubt. But it is impossible not to have a doubt, and the doubts may grow. If it is necessary to be wary of the state, it is because state control can so easily become, and has in the recent past often been, the ally and representative of sectional rather than of communal interests. The state will be given the benefit of the doubt—but it will be kept under Parliamentary scrutiny and public vigilance, subject to challenge and open to the fullest publicity for its actions. Here, too, "Let the People Know" is the surest and most necessary of safeguards.

War and Peace

It is in the field of international affairs that the largest differences in policy between *The Economist* of 1843 and

its successor to-day are to be found. In 1843, the paper's policy—in accordance with the prevailing philosophy of the time—was non-interventionist. For seventy of its hundred years *The Economist* opposed entangling alliances with all the fervour of a Midwestern senator, and its view of armaments and of preparations for defence was that they were, at best, a necessary evil, to be restricted to the minimum. The paper opposed the Crimean War and the Boer War, and in 1914 it thought that British participation in the First German War was both unnecessary and unwise. Yet this attitude was combined with the most ardent internationalism. Non-intervention never became isolationism, for *The Economist* took as an article of its faith the doctrine that the nations depended on each other, in political matters no less than in economic. The attitude of non-intervention was born of the belief that the way to peace and fraternity lay through the development within each nation of free political institutions and the practice between them of the utmost possible freedom of commerce. Wars were disturbers both of political liberty and of trade; no good could come of them; and the British liberal should have no part in them.

The attitude of 1943 is quite different. *The Economist* of to-day does not believe that a sound economic policy will, by itself, secure peace; on the contrary, it holds that without a secure political basis, not even a beginning can be made with sound economic policies between nations. Nor does it believe that nations, left to themselves, will automatically evolve towards liberal parliamentary democracy, or that, if they did, peace would thereby be secured. *The Economist* of to-day believes that peace requires enforcement, and that enforcement requires force.

The contrast could hardly be more complete. Yet this, once again, is a change in method rather than in ultimate aim. The liberals of a century ago were not non-interventionists for selfish reasons or because they were nationalists, but because they thought that such a policy on Britain's part was best calculated to bring about the peaceful international society they desired. Experience has cast doubts on their methods. But the aim is the same; indeed *The Economist* of to-day is even more internationalist, since the tacit assumption of the old doctrines—that Britain was strong enough to stand apart without danger to her own safety—is no longer tenable. Britain to-day is not internationalist merely by choice, but also by compulsion. Not only is this another example of a change in methods to achieve an unchanging aim, but it is the same sort of change in methods as has been found necessary in domestic politics and in economics. What our ancestors thought would come of itself, given a total absence of constraints, we believe must be sought by complex and difficult organisation.

On the nature of the organisation that will secure peace, minds are much less clear. It is becoming steadily more difficult to believe that anything short of a surrender of national sovereignty to a supra-national body will prevent a third world war. But it is also very difficult to believe that any of the Great Powers, Britain included, are ready for such a surrender—are ready, that is, to transfer the control of their armed forces to an international body on which they might find themselves in a minority. This is the crucial question, and no proposals for new leagues of nations, or for federations, will be strong enough to secure the peace unless they control the force. Indeed, there is a danger that international organisations which create the illusion of a world concert, while not changing the realities of power, may do more harm than good. In this field, more than in most, the perfect is the enemy of the good.

The Dilemma of Foreign Policy

The dilemma that this creates for British foreign policy is very real. On the one hand, the development of international institutions should be encouraged by all possible means, for in that direction lies the only lasting

hope. International institutions cannot be expected to grow strong if they are never given any responsibility. On the other hand, until they are strong enough to take over the effective policing of the world, it is essential to see that Britain and her friends keep in their own hands a sufficiency of force. There is a twofold reason for defending British interests. The first (which it would be hypocritical to omit) is that they are our own. The second is that we believe Britain to be one of the trustees of the future. It would be ridiculous to be willing to fight a full-scale war every generation to insist on getting our own way, and then between wars to pretend that our own way was no better than anyone else's. And, as part of the policy of remaining strong, it is one of the basic tenets of *The Economist's* faith that every effort—and, if need be, many sacrifices—must be made to achieve the utmost coincidence of policy between Great Britain, the other British nations and the United States. Other alliances should be sought where they can be found, but the policy of the Oceanic Commonwealth is basic.

Thus in foreign affairs as in domestic politics and in economics, the simple and easy solutions have disappeared, leaving the delicate task of seeking a balance between conflicting elements. In politics, it is the conflict between freedom and order, which is already well on the way to solution. In economics, it is the conflict between free enterprise and collective organisation, where the main outline of the solution is in sight. In foreign affairs, it is the conflict between the need to prepare the way for a surrender of sovereignty and the interim need to maintain the strength of Britain. It would be wildly optimistic to say that the solution is yet visible. But it must be sought.

International Trade

The Economist was founded as a "Free Trade Journal" and bore that sub-title for many years. This review of the paper's policy as it stands to-day can hardly conclude without some reference, however brief, to this much controverted subject.

The pattern, once again, is the same: the fundamental aim remains unchanged, but there is some modification in methods, since experience has shown that some form of deliberate organisation, or purposive direction, is needed to achieve what it was thought in 1843 would come about by itself. The basic belief of the Free Traders was in the virtues of the international division of labour. *The Economist* has never wavered in that belief, and holds to it as firmly to-day as ever. Every element of enforced self-sufficiency is an element of poverty, and there is no nation on earth—least of all Great Britain—with sufficient wealth and variety of wealth that it can afford to neglect the economies of international exchange. But in a world that seeks regularity in its economic system, and that uses force in its political relationships, it is highly doubtful whether the best way to secure the maximum possible division of labour is simply to remove all controls and impediments. For example, there is no doubt that a country does far more harm to world trade by allowing itself to suffer a depression than by almost any imposition of obstacles to foreign trade. If a necessary part of a Full Employment policy is (as it would be in Great Britain) the taking of steps to prevent too sudden a rise in imports, does that mean that Full Employment must be forsworn, lest it infringe the Free Trade canon?

Once again, as in the previous sections of this article, the answer is one of balance. The problem is not simply to eschew all mechanisms of control, but to use them positively. What this means in precise terms, and with reference to international trade, is another of the issues on which much clarification of thought will be needed, and it would be idle to pretend that the outlines of the answer have yet taken shape. The future economic relations between the nations interlock at every point with their future political relations. If one can be said to wait

upon the other, then it is the economic on the political, and it would be a delusion to suppose that any controlling decisions can be taken on the methods of world trade until the methods of world peace are established.

There are, however, certain negative considerations that can be laid down. It may be a mistake to prohibit the use of all constraints in world trade; but a system of constraints that prevented all growth would certainly be wrong. If there must be a controlled system, it must be one of controlled expansion. The primary test of a country's commercial policy should not be the height of its tariffs, but whether on balance its foreign trade is expanding. And, secondly, if there must be restraints on freedom of trade, they should be restraints imposed in the general interest. The community is the sum of its members; but the welfare of the community is not served by the protection of individual interests, and any system of restraints on trade which, like the British Import Duties Act, takes its decisions on an examination of individual interests is almost certainly harmful. A confederacy of vested interests masquerading as the public welfare is no less noxious when the immediate enemy is a foreign trader. Controlled expansion in the public interest is leagues apart from restrictive protectionism.

"The World Does Move"

There are those amongst us who, amid doubt, discouragement, decayed enthusiasm, and even chilling sneer, still cling to the belief that a better, a higher, a nobler destiny still awaits the family of man. Not an imaginary perfectibility, not a visionary millennium, not such a change of the organic structure, body and mind as would make the human being other than he is. But man as he is, in many respects helpless, in much imperfect, and in all feeble, when viewed individually, is still capable of a social elevation such as society has not yet beheld.

These men are not disheartened by appearances which, to superficial observers, would seem to indicate that man, so far from advancing, is sometimes retrograding; and that the human race is, after all, much the same from age to age. . . . nay, the world may rise in arms, and . . . still they feel that "all things work together for good." The world *does* move; that is their conviction, and it is ours; were it not so, *The Economist* should not have appeared.

So wrote James Wilson in the first issue of *The Economist* on September 2, 1843. That faith in the possibility of progress still endures. But it is somewhat battered by the disillusion of a hundred years. That all things can be made to work together for good is still an article of faith. But it is no longer possible with such touching confidence to believe that natural forces will so spontaneously combine to effect human progress. Man's rôle is no longer that of simple beneficiary, the spoilt child of Nature; the curse upon him is not that he shall not make his way upward, but that he shall work for his salvation. Progress, to us to-day, is not impossible, but far more difficult of attainment than it seemed to our forefathers. We must harness the natural forces, and learn to drive them.

The simple rules of thumb of 1843 have disappeared, and in every sphere of public policy we are now presented with the most difficult judgments, the most delicate balances. The greater is the responsibility resting on the statesman. The greater is the responsibility resting on the journalist.

The idyll of the early Victorian years could not, after all, be expected to last, and we should not be unduly downcast by the much greater complications of our task. It is normal for the problems of human society to be difficult, and it was entirely abnormal for them to be solved so simply by such an unprecedented uprush of new forces. We should rather console ourselves with the reflection that it is a higher, not a lower, calling to devise a purposive direction for our affairs rather than to float on one of history's spring tides. Our age presents more difficulties, but it does not for that reason provide fewer opportunities of achievement.

TOWARDS THE SECOND CENTURY

Britain in the World

THE only foreign policy that has any hope of being consistently pursued is one in which national interests are fully and obviously safeguarded. No nation puts the interests of the international community before its own. It is only if the two can be seen to coincide that there is any possibility of effective internationalism. One of the great dilemmas of the twentieth century is that whereas every physical and technical development drives the world on towards greater unity, there is a time lag in the nations' awareness of their growing interdependence. Of the four great Powers, three are vast land empires, rich in resources. They can argue that if they fully mobilise their manpower and devote a sufficient proportion of their resources to vigilant defence, then there is no reason at all why they should make efforts or sacrifices to maintain an ordered world. The war has shown that this type of reasoning is fallacious. The development of aviation in the next ten years will make it even more so. Unfortunately it is still appealing enough for the coincidence of national and international interests to be blurred. A nation which still believes it can be successfully isolationist is most unlikely to give a lead in genuine internationalism.

There is one great Power, however, for which isolationism means disaster. Great Britain in resources and manpower is not one of the giants. Many of the elements which made up its 19th century pre-eminence—a rapidly expanding population, unrivalled naval power, industrial and financial supremacy—have gone. Others, such as world-wide imperial and trading interests, depend absolutely on the existence of a peaceful and co-operative international order. In a world which needs the greatest possible degree of economic, social and political integration, British interests and the interests of the international community tend to coincide at every point. Great Britain has everything to gain if a process of "getting mixed up together" continues in the post-war world. It has, too, a special responsibility to carry this process forward. If the lead does not come from Britain, it is most unlikely to come from anywhere else.

Britain's Experience

Fortunately Great Britain's position for giving such a lead is very strong. No other nation is involved in world politics to quite the same extent. The British Commonwealth operates in every quarter of the globe, and in spite of many gloomy prophecies, has shown itself in this war, as in the last, to be an effective system of collective security. Most of the joint machinery in the world to-day was either elaborated in London or at least hinges on British co-operation. Britain has been readiest to share military bases. In Iraq and Egypt, it has made a working compromise between national independence and military dependence. On the economic side, it has co-operated fully in Lend-Lease, not by any means as a beneficiary only; it has established at Cairo a remarkable piece of international machinery—the Middle East Supply Centre. It has experimented freely in the sending of accredited Ministers overseas, a Minister of State to Washington, another to Cairo, a Resident Minister to West Africa. No Chief Executive in history has travelled so extensively as Mr Churchill. Finally, in the sphere of post-war thinking, the suggestions and projects put forward by Britain, even if they are neither so well defined nor so exhaustive as the criticisms might wish, cover a wider field than those proposed by any other Power.

This is the rich and varied experience Britain brings to the post-war world. Much of it has of course been gained under the pressures of war. The degree of "mixing up" which exists now will be hard to maintain unless new

objectives can be found for international policy. They will not be so compelling as that of defeating the Axis. This does not mean that none exist or that Britain cannot forward their acceptance. As a broad definition, it is difficult to improve on President Roosevelt's four freedoms. Peace, rising living standards and an expanding area of human freedom—these are all necessities for Britain's survival as a Great Power. They also happen to be what the mass of ordinary people want. Yet while they can be safely assumed to be a commonly accepted purpose, they are far too vague to constitute a policy. Both for collective security and for economic co-operation, plans are needed as precise as the leasing of bases or the pooling of war material or Lend-Lease.

Principles of Action

In the concerting of these plans, certain principles have been established by the experience of the war. First of all, there is nothing in the outlook and behaviour of the nations to suggest that they feel any less jealously than before about their sovereignty. Schemes for co-operation which come to them demanding a general sacrifice of authority—the transfer of major powers to a still untried international body—stand little chance of being accepted. On the other hand, if the nations are invited to co-operate as interested partners in a joint scheme directed towards a specific function—an irrigation scheme, perhaps, or the joint use of certain military bases—the sacrifice of sovereignty will be noticed far less. The successful pieces of co-operation in this war have over and over again been aimed at a particular need or problem—for example, the joint American-Canadian agreement about the use of bases and joint defence or the co-operation of all the Middle Eastern states in the Supply Centre at Cairo. The first principle of successful British diplomacy is to keep the "mixing up" at a practical, functional level.

The next principle is that British diplomacy should present the world with decisions as well as projects. The more confused the atmosphere in which the nations operate, the more a clear-cut decision taken anywhere becomes the crystallisation point of many other decisions, so that by taking the first step, a nation often discovers that it has compelled others to take the second and third. Britain's decision to go to war brought in the Dominions and paved the way to Lend-Lease. The establishment of the Supply Centre at Cairo meant that the Americans had something to join—which they did.

This point is in turn bound up with a last principle—self-confidence. The aim of British foreign policy is to get as many states as possible as mixed up as possible. It may not be possible to involve them all. This does not mean that the areas where integration is still possible should be neglected. Let us suppose the most unfortunate outcome—be impossible to mix things in the grand manner, but parts of Europe, most of Africa, even South-East Asia, would all be areas in which Britain could continue to give a lead in joint action.

In the post-war world, Britain will have to deal with nations of very varying degrees of magnitude. There are three broad categories—Great Powers, independent smaller Powers and colonial peoples. With very few exceptions the smaller nations fall into natural groupings—South-East Asia (Malaya, Indonesia, Indo-China), Africa (a predominantly colonial area almost entirely controlled by states), the Middle East (a group of independent Arab states), South America and Europe. The Great Powers—the British Commonwealth, the United States, Russia, at a later day China—are both needed and feared by these regional groups, needed because only with their help can

military security and economic progress be assured, feared because their military power is overwhelming. This dilemma cannot be evaded. Under modern conditions only Great Powers have the industrial potential and military strength necessary for waging war. The problem of security in the post-war settlement belongs primarily to them. By maintaining their military predominance they can ensure that none of the present aggressors is in a position to make war again. Britain's first task must be to keep the alliance intact. But their behaviour towards the smaller states will need to be such as to banish the suspicion that they in their turn may turn to aggression. Britain must also give a lead in developing the political harmony and economic prosperity of the various regional groupings.

What can be done to maintain the Alliance of the Great Powers? The British have a twenty-year treaty with Russia—but practically no joint machinery. They have no formal arrangement with the United States, but a vast amount of joint machinery. With China, so far, they have neither treaty nor machinery. Finally, with the Dominions, they lack really adequate joint machinery for consultation and decision. It is most unlikely that these gaps can be made good by setting up a world council with a joint military and joint economic general staff. Ideally that might be the solution, but if a council has not emerged in the course of the war, it is most unlikely to appear once the stress of battle is done. British policy will need to be less sensational and more arduous—to persuade the Russians to extend their commitments and to accept, say, the idea of joint bases, the joint policing of strategic key points, regular consultations. At present, these possibilities appear to depend on the course of the fighting in Europe, in particular on the opening of a Second Front. With the United States, it is a question not of formalising the association—American prejudice against "entangling alliances" is still strong—but of maintaining all the joint enterprises the war has made inevitable—pooled bases, regular staff talks, the standardisation of equipment, and so forth. Whether Britain can use its influence to hold Russia and America together in a joint peace strategy again turns on a military front—this time the Far Eastern front. If Russia maintains its neutrality to the end, the American reaction cannot fail to be hostile. The course of the Far Eastern war will also determine the closeness of China's association with the other Great Powers. Only with the Dominions can British policy be really uninhibited. Here all the Commonwealth Powers have a direct interest in the establishment of some organ of closer imperial co-operation. It is their surest way of maintaining their influence in the counsels of the nations.

Building the Regions

The test of any new system based—as any system must be—on the predominance of the Great Powers will be the use they make of their military and economic strength. Are the areas which lie between their exclusive sovereignty to be turned into battlefields? Competing spheres of influence? An area for economic struggles? Or will the Great Powers co-operate in maintaining their neighbours' independence and increasing their prosperity and cohesion? There can be no doubt where Britain's interests lie. In general terms it should sponsor as many world-wide economic policies as possible for increasing trade, raising living standards, evening out the trade cycle and ensuring that all increases in wealth are widely distributed. In economics, as in politics, there are limits to the surrenders of sovereignty to which the nations will consent, and the plans must accordingly eschew the grandiose. But their foundations should be laid with an eye to future extensions. The Keynes Plan is such a proposal. It should be supplemented by an International Finance Corporation whose particular responsibility would be to foster investment in development schemes which are too costly for single governments or which cross a number of national frontiers, or which would directly assist the economic development of areas too backward to raise themselves by their own heel straps. The pooling of food supplies proposed by the British at Hot Springs is another very desirable piece

of functional international machinery. The technical services instituted by the League, in particular the ILO, could be restored and expanded. And, although it would need vigilance to prevent them from adopting restrictive policies, some of the organisations set up during the war to control the supply of raw materials might be maintained to secure their fair distribution, and, when necessary, to even out the alternation of gluts and shortages.

Within the general framework of co-operation created by this network of international agencies, it should be the aim of British policy to strengthen the different regional groupings by encouraging their economic development, helping to provide them with economic and social agencies which transcend their different frontiers, and by giving support to any local tendencies towards closer political union. In three of the areas—Southeast Asia, Africa and the Middle East—Britain is in a position to give a bold and imaginative lead. The Government has already acknowledged the desirability of Regional Commissions. The Colonial Powers directly concerned—the British Commonwealth, Holland, France, Belgium and Portugal—together with other Powers with vital interests in the colonial area—the United States in Africa and Southeast Asia, China and possibly Russia in Southeast Asia—and with representatives of the colonial peoples, could form a council to cover the whole area, which, while leaving the administration of the colonies to their present owners, would provide for military security and for the development of inter-regional economic and technical services. If a real crusade is to be waged against disease and malnutrition and abject poverty, no one country can provide out of its own resources all the necessary expert technical and scientific skill. At the same time, the opening of an enlarged colonial service to able people from every nation would help to lessen the resentment of peoples without colonies. If the Council for Africa were imaginatively conceived and publicised, it might come to rank as a common interest for all the peoples of Europe.

United Europe

Of the remaining regions—South America, the Middle East and Europe—the security and economic development of the first is a closer responsibility of the United States than of Britain. Yet it is in the interests of Britain, America and the South American States that Britain's economic and cultural links with South America should be developed. It would prevent the growth of suspicions based on the one-sided predominance of the United States and would keep open a broad avenue of contact with Europe. In the Middle East, the developments of the war have given Britain the opportunity for really decisive leadership. An article on page 314 goes into the possibilities.

The problem of Europe remains. For Britain—indeed for the world—it is the most vital problem of all. Two world wars have had their origin in Europe. Unorganised, it is still the greatest menace to world peace. Organised, it could be the richest cultural and economic complex in both hemispheres. Britain has an obvious and urgent interest in the establishment of an ordered, prosperous Europe. The fate of the only three attempts at political federation—the Polish-Czech and Yugoslav-Greek negotiations and Mr Churchill's offer of common citizenship to France—suggest that a frontal attack on European nationalism is still beyond the power of diplomacy. But, as in the other regional groupings, a vast amount can be done to build up the economic, technical and social adjuncts of unity. From the United Nations Relief and Rehabilitation Administration could spring such joint agencies as a European medical and veterinary service, an agricultural advisory board with a permanent pool of experts and technicians. The unification of European industry brought about by the Nazis could be maintained to put control of heavy industry—including German heavy industry—under European supervision. The Germans have also created a degree of centralised control for transport and the public utilities. This could surely be maintained in a modified form. A European grid system, a network of international trunk roads, joint arrangements for civil aviation—all these present technical problems

and possibilities on which the nations could work together without feeling and resenting a loss of sovereignty.

Two obvious difficulties stand in the way of this ideal of a unified Europe. One is the fear of the European nations that a unified Europe would ultimately be a German-dominated Europe. The other is the possibility that the Soviets may prefer a weak and divided Europe to a closer organisation which, they fear, might eventually be directed against them. British diplomacy has at least a chance of dispelling both fears, provided always that its action is sufficiently clear and emphatic. By pledging its military and economic resources to the fullest participation in the re-ordering of Europe, it can act as a counterblast to the fear of Germany, especially if its guarantees can have the more or less explicit backing of the United States. And a frank understanding with Moscow can surely convince the Kremlin that a peaceful Europe is a common interest and that neither of its Western allies will underwrite any organisation or policy directed against Russia's security.

All these questions represent only a part of the problems Britain will be called on to settle after the war. It is obvious, even from their bare enumeration, that they demand the highest measure of intelligence, flexibility and ingenuity. The old methods of diplomacy are bank-

rupt. The alternative methods most generally discussed—federation, Leagues, political councils—are not applicable to a world of jealous nationalism. It follows that methods more various, ingenious, and insinuating must be evolved. The first need of British foreign policy is thus intelligence—minds open to new ideas, ready to grasp the possibilities of any new situation, eager to bring every kind of skill—technical, industrial, economic, social—to the solving of international problems. The second need of British foreign policy is hard work, not only hard work by diplomats and experts, but hard work by the nation as a whole so that it has both the material resources, the energy and the inventiveness to be a power-house of capital, of goods, of men and of ideas. However carefully foreign policy is devised, in the last analysis it remains a function of the nation's well-being as a whole. Britain dominated the world of the 19th century because it was on a tidal wave of self-confidence at home. Appeasement abroad was only the expression of internal dullness and stagnation. So in the post-war world, the chief factor in a really successful foreign policy will be the attractive power of a Britain that has evolved its policy of full employment, attained its social security, assured its civil liberties, and that faces the future with confidence, gusto, clear-headedness and daring.

Active Citizenship

THE conversation took place, just about two years ago, at a stockbrokers' lunch in the City of London. There were present a number of City men and a Russian journalist, with an English journalist to hold the ring, and the talk turned, in the light of the new Anglo-Soviet alliance, on the different degrees of freedom in Britain and the Soviet Union. The Russian was pressed to admit that, under the Soviets, it is not possible to oppose or even to criticise the Government. He replied that this is so, but he went on to point out that it is possible in Russia, as it is not in Britain, for ordinary workpeople not only to criticise but also to secure the dismissal of the managers of the factories or offices in which they work.

Even without prejudice, there will be many people who will doubt whether, in Marshal Stalin's directed and regimented state, freedom even in this limited sphere can have the same connotation as in the aspirations of the people of this country. But, rightly or wrongly, there is a widespread impression in this country that this element of actual participation, this measure of control over the daily round and common task, is one important difference between the British and Soviet regimes. A large number of people are convinced that here, despite the familiar forms of representative government, they have neither part nor lot in the making of decisions: "They" rule; "We" obey. In theory, participation should be the common principle running through the whole of organised life in this country; all the units of British life—the associations, the societies, the churches, the joint stock companies, the trade unions, the clubs, the friendly societies, and the political parties—are, in principle, based upon the free and spontaneous participation of all their members in all their activities. Yet this is precisely what is now so widely doubted or denied; and so the system of local soviets and workers' councils, considerably more than a little idealised, is regarded by many with not a little envy. "It's their own show" people say; and in this way they explain, naively, no doubt, but significantly, the achievements and endurance of the Russian people since June, 1941.

Those who argue like this are not, for the most part, Socialists, still less Communists. They do not want so much to emulate the Russian experiment as to restore, in the complicated context of modern government and economy, the associative reality of British democracy. They are well aware of the elements in the Soviet regime which, from their own national and traditional stand-

points, are alien and distasteful; but they believe that their own form of freedom, which in principle they undoubtedly prefer, is in fact frustrated. The war has given a powerful stimulus to this line of thought. The organisation of total war has made it plainer than ever before that the few make policy and govern while the many do what they are told. On the other hand, new methods of giving ordinary people some sort of share in the making of decisions and the management of their daily affairs have been sought; the joint production committees of workpeople and employers in industry are the chief examples. It is certain that one of the most important questions which rank and file citizens, especially young ones, are asking about the post-war period is what sort of say are they, personally, going to have in what is done.

"We and They"

Conventionally the answer to this murmuring is quite simple. Wartime is abnormal. Wartime government, unlike peacetime government, has to be by compulsion; and joint-production committees and similar expedients are necessary merely for the sake of morale in exceptional conditions which will end when the war ends. Then things will be different. Parliament will become representative again and reassert its authority; so will local government councils. There will no longer be any need to order individuals about; and correspondingly no need, for instance, to maintain special devices for workers to take a share and an interest in the management of their work. In short, the *status quo ante bellum* is the answer. Unfortunately, it is not a satisfactory answer—though the emphasis laid upon the rehabilitation of representative government is vital. The doubts which have come to the fore during the war are not wartime doubts. They are only more strongly felt in wartime; the contrast between the few who give orders and the many who obey them is more vivid, because of the larger number of orders that have to be given; and the participation of everybody, or almost everybody, in work and sacrifice throws into deeper relief the non-participation of most of them in making the decisions upon which the orders are based or in applying the orders. The fact is that precisely the same problem of "We" and "They" existed, and will exist again, in peacetime.

The problem has two sides. The scale and character of modern administration and economy make it impossible


 INCORPORATED BY ROYAL CHARTER A.D. 1720

The authoritative position of THE
 LONDON ASSURANCE securely
 rests on 223 years of continuous
 world wide operation which has
 recognised throughout as an essential
 part of its policy that integrity is the
 foundation of commercial goodwill.

**THE LONDON
 ASSURANCE**
 HEAD OFFICE
 1, KING WILLIAM STREET, E.C.4
 Marine Dept. 157, Leadenhall Street, E.C.3
 BRANCHES AND AGENCIES THROUGHOUT THE WORLD

ROYAL EXCHANGE

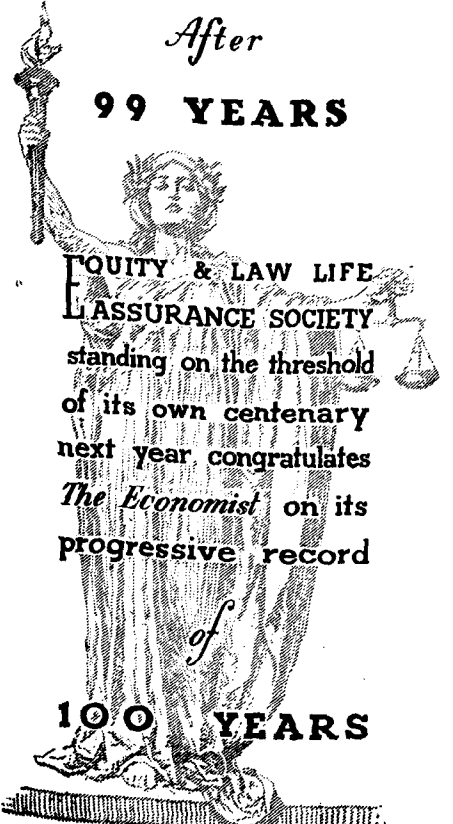
Assurance: A.D. 1720

Experience over a period of more than 220 years has firmly established the character and security of the Corporation . . .



Head Office: Royal Exchange, London

After
99 YEARS
 EQUITY & LAW LIFE
 ASSURANCE SOCIETY
 standing on the threshold
 of its own centenary
 next year congratulates
The Economist on its
 progressive record
 of
100 YEARS



CONNAUGHT HOUSE,
 163/4, STRAND,
 LONDON.W.C.2.

Telephone:
 TEMple Bar
 0381.

SUN INSURANCE OFFICE LIMITED

The oldest insurance
office in the world

Head Office
**63 THREADNEEDLE
 STREET
 LONDON
 EC2**

NATIONAL DISCOUNT COMPANY, LIMITED.

(Established 1856.)

(INCORPORATING THE BUSINESS OF MESSRS. REEVES WHITBURN)

35 Cornhill, London, E.C.3.

Subscribed Capital £2,153,335
Paid-up Capital - £1,000,000
Reserve Fund - £1,400,000

Directors.
SIR SIGISMUND F. MENDEL, K.B.E., Chairman.
LT.-COL. THE HON. GEORGE AKERS-DOUGLAS. H. S. H. GUINNESS.
LT.-COL. RONALD L. BASSETT, M.C. SIR STRATI RALLI, BART.
COMMANDER THE HON. LOVEL W. COKE, R.N. SIR CHARLES D. SELIGMAN.
Manager. R. E. de B. BATE.
Sub-Managers.
H. R. W. BROWN.
W. SHEPHERD.
Secretary. W. SHEPHERD. **Registrar.** G. H. ELLABY.
Auditors.
PRICE, WATERHOUSE & CO.
Bankers.
BANK OF ENGLAND.
NATIONAL PROVINCIAL BANK, LIMITED.

Treasury Bills, Bank and Mercantile Bills Negotiated.
Money received on Deposit at Call and Short Notice
at the Current Market Rates of Interest, and for longer
periods upon specially agreed terms.
Loans granted upon approved Securities.
All communications to be addressed to the Manager.

War-Time Banking

The Midland Bank stands ready to offer its services to all who need them, subject to limitations arising from war-time conditions.

Whether you are in the forces, some other field of war or national work, or pursuing your ordinary activities, this great Bank will conduct efficiently the business you may entrust to its care, including your transfers of surplus deposits to the purchase of British war loans.

The manager of any branch will willingly describe the facilities offered by the Bank, established over a century ago but ever modern in methods and outlook.

MIDLAND BANK

LIMITED

Head Office: Poultry, London, E.C.2

FOR A CONSIDERATE MORTGAGE SERVICE

ABBAY ROAD

LONDON'S LARGEST BUILDING SOCIETY

• ABBAY ROAD BUILDING SOCIETY,
ABBAY HOUSE, BAKER STREET, LONDON, N.W.1



On to our Centenary

NINETY-SIX YEARS have passed since the Woolwich Equitable Building Society was established. Some of these years have been stormy ones clouded by wars and financial crises. Yet during all that time no investor in the Society has ever lost one penny of his capital or missed an interest payment. Year by year the Woolwich Equitable has grown in strength. An ever-increasing organisation has made the services of the Society available in all parts of Great Britain.

Woolwich Equitable Building Society

RESERVE FUNDS £2,000,000. ASSETS EXCEED £37,000,000

General Manager: T. R. CHANDLER, F.I.A.
Chief Office: Equitable House, Woolwich, S.E.18
Branch Office: Dacre House, 5, Arundel Street, W.C.2
City Office: 75, Cannon St., E.C.4. 22, Liverpool St., E.C.2

BRANCHES AND AGENCIES THROUGHOUT THE KINGDOM

for any considerable proportion of citizens to take an active share in their direction and management; this is the technical reason why the few rule the many, and it is even more applicable in Soviet Russia than it is in Parliamentary Britain. But there is another reason, a social and human one; the vast majority of British people, whether as citizens or employees or church members or trade unionists or shareholders, have apparently no desire in normal times to undertake any responsibility for the associations to which they belong, so long as things go well. The state has outgrown the simpler forms of democratic association and, in its vastnesses, its citizens have surrendered their sense of public service. This question of participation has become articulate and pressing in wartime Britain simply because the public spirit of the British people has been re-awakened to a phenomenal degree by the challenge of war.

The real problem, then, is not only to apply but also to preserve and keep alive this public spirit in peacetime when the challenge of war has passed; and to apply it in spite of the technical inhibitions imposed by modern society upon the active participation of citizens and workers in the community's affairs. Two things seem sure about any solution. First, it is not possible to solve the problem of putting back the clock. To abandon large scale organisation and administration and mass production, and go back to a simpler and more primitive form of society, if this were conceivably possible, would be to throw away the means of ending poverty and insecurity, which this generation is the first to possess. Secondly, the solution must be by a marriage of old and new methods. The rehabilitation and revival of representative forms of government and association, within the limits set by the technical conditions of modern life, is a first necessity. So, too, is the achievement of a genuine and universal equality of opportunity in education, work and public service. But, in addition, it is necessary that there should be an adaptation and extension of the methods that have been used in wartime to secure general and willing participation in the war effort, including the principle and practice of universal national service.

Compulsion and Consent

During the war there has been compulsion to an unprecedented extent; but the basis of the effectiveness of this compulsion has been universal consent. The beginning and foundation of recruitment for the forces, the factories and the air raid defence services has been the volunteer; the Local Defence Volunteers sprang to arms in a night before the Home Guard was thought of; the pilots who won the Battle of Britain and the wardens and firemen who fought the blitz were volunteers. Conscription and direction have been necessary for technical rather than political reasons, and there has been little or no opposition to them. The explanation is significant. The aims of the Government in fighting the war have been wholeheartedly approved, even though the right to criticise the conduct of the war in detail has been jealously and fruitfully preserved; and the people have desired to play their part at their appointed stations. If the aims of government in peacetime can gain the same approval, if the same willingness to contribute in a positive way to the common task can be secured, the peace effort can be accomplished with equal success—and with greater freedom of choice and action for the individual.

It is not easy to translate these generalities into concrete terms and specific proposals. *Pace* Rousseau, a nation cannot be forced to be free. It is possible, indeed essential, for the state to set its sights on targets that will catch the imagination and enthusiasm, and serve the interests of the community: full employment, industrial efficiency, equal opportunity, good health and housing, security for the individual, the family and the nation and the maximum of private and public enterprise. But it is not possible to ensure by Act of Parliament that the

parties and the electorate will in fact choose men and women able and willing to set these as their marks; to guarantee that the majority of citizens will be prepared, in peace as in war, to play a positive and active part. The people of Britain have more and more delegated their individual and civic responsibilities to a few professionals—party caucuses, trade union officials, central and local government officers, industrial managers, company directors and so on; and they cannot be compelled by enactment to resume their active interest. Indeed, the management of political parties, trade unions, central and local administration, industry and commerce is a professional and full-time job. It is not true, for instance, to say that even Parliament will be able to reassert its authority over the executive when the period of war government is over. Parliament cannot govern in modern conditions; its main functions will still be to choose the Government, according to the expressed preference of the electorate, to know what that Government is doing and to scrutinise and query its actions. The same is true of all the other associations that make up British life. They must still be run by professionals; but it is of crucial importance that their members should know and be interested in what is going on. There is a string of devices that might be used for this purpose with greater or less effect: the standing Commons committee to scrutinise departmental administration; the constituency committee of electors to scrutinise the qualifications of candidates and the activities of Members; the association of parents to learn and survey the running of schools; the panel of shareholders to watch over the interests that directors no longer represent; the joint production committee in factories and pits; and the committee of consumers to speak on prices and products for the unorganised and amorphous mass of purchasers in a particular trade. But in the main these are growths that cannot be forced; they depend for their development upon technical possibilities and upon the public spiritedness of the people, upon the will and the desire of individuals and groups of citizens to take part in their own affairs. All the state can do is to create the conditions in which active citizenship can flourish if the people wish it; and the state's prime responsibility on behalf of the community for protecting the interests of electors, parents, schoolchildren, shareholders, workers and consumers, cannot in any case be delegated.

Universal Service

The state's first duty is to represent, both in its personnel and its policy, the true interests, desires and aspirations of the people; and its second is to be efficient in the execution of that policy. Without the positive co-operation of every individual and every group within the community, which includes constructive criticism and honest opposition to particular Governments, the state can be neither representative nor efficient. Only by active citizenship can able and representative Parliaments be elected, to support and scrutinise able and representative Governments. Only by active citizenship and the adjustment of individual and sectional interests to communal needs can the goals of Full Employment, Social Security, Equal Opportunity and National Defence be achieved. That is why the greatest single contribution that the state can make to the remodelling of British democracy on positive lines, apart from the radical recasting of British education, is the permanent continuation of universal national service, so that every man and every woman, regardless of class or income, will be provided, not only with an equal opportunity to serve the community, but also with an equal training in the performance of service. If the widespread wartime wish to take a share now and afterwards in the affairs of the nation reflects a lasting reawakening of individual responsibility and the sense of civic duty, the finest hour of this country's freedom may be still to come, and the new and manifold rights which the commonalty very properly claim will be well and worthily earned—as earned they must be.

Enterprise and Efficiency

THE general economic policy of *The Economist*, as expressed in an earlier article, is one of believing that the twentieth-century system can find room both for constructive experiments in the technique of collective organisation and also for the freedom and the dynamism of private enterprise. The essential is that both principles should be allowed to develop their positive merits and that neither of them should be used negatively as a brake upon the other. There is a sphere for each; and though neither can be entirely banished from the sphere of the other—private enterprise cannot be allowed to be anti-social nor can state enterprise be wholly uneconomic—the effort should be so far as possible to clear the path for the incentive to action and progress which, in any particular field, is allowed to be dominant. There has been too much obstruction during the past thirty years. Collective management has been tried here and there—but timidly; it has been made to conform to “business principles” and has consequently, and quite naturally, not shown at its best. On the other hand, the private entrepreneur, though he has been left with much the largest part of the responsibility for taking the initiative and bearing the risks, has been burdened with any number of negative restrictions imposed in the interest of social welfare. The aim should be so far as possible to release both energising principles from their bonds.

Other articles in this Centenary Issue propound suggestions for experiments in collective organisation. This article is intended to show the other face of the medal and to suggest some of the ways in which private enterprise can be liberated from its obstructions.

The Rehabilitation of Profits

Perhaps the most important single requirement is that the private entrepreneur should be restored to a place of honour in the community. The present position of a great body of opinion is frankly absurd. On the one hand, nobody but the fanatics imagines that more than a comparatively small proportion of the national economy will be transferred to the management of the state for many years to come. Gradualness is not becoming less inevitable as the years pass. On the other hand, the business man is told that he is an anti-social influence. The manager of the nation's business (or at least of the largest part of it) is told that he is incompetent and immoral—and is left in charge. It ought to be said with all necessary emphasis that the private entrepreneur has been, is, and will remain a member of society of more than average usefulness and of complete acceptability. He is not simply a transient and embarrassing phantom, a mere caretaker left in charge until the state can get around to expropriating him. He is a permanent pillar of economic society. He will not, it is true, have the whole of economic activity for his province, as in the past. He may, in the course of time, be restricted to only about half of the national economy. But in that half he will continue, for as far ahead as can be seen, to be the linch-pin of the economic mechanism. Not only will he so continue, he should so continue. Such, at least, for better or for worse, is the opinion of *The Economist*.

Much of the confusion arises from the very muddled thinking that is now fashionable on the subject of the profit motive. The Archbishop of Canterbury, it must be said, has done more than any other individual to obscure the issues. What distresses the moralists—and quite properly so—is to think of any activity as being impelled by greed. If they confined themselves to the condemnation of excessive profits, no one would disagree with them. But they do not. Their moral arguments apply only to excessive profits; but they speak of the profit motive tout court, and the Archbishop's famous example of his tailor shows that he cannot distinguish between profits and excessive profits. A trader who puts his prices up in

order to conserve his circulating capital is no more yielding to greed than a clergyman asking for Easter offerings; he is protecting himself against loss of livelihood.

The avaricious are to be found in every walk of life, and perhaps most frequently among business men. But it is a fantastic misunderstanding of the nature of the economic process to suppose that there is anything immoral about the profit motive. *The Economist*, for example, is run for profit. What does this mean? Simply that it cannot afford to run at a loss. A better name for the profit motive, in fact, would be the avoidance-of-loss motive. For every one business man who is motivated by the desire for excessive gain there are twenty who never get a chance to do more than avoid losses after paying a moderate rate of interest on their capital. No business enterprise which does not enjoy the state's taxing privilege can follow any other motive than the profit motive. Wherever there is an enterprise which boasts of not operating for profit, it will be found on examination either that it enjoys a subsidy or a guarantee against loss from some profit-earning body or else that its profits are so high and so well protected that it can afford to play the hypocrite.

It really is time that there was a little straight thinking on this subject of profits. The avoidance of loss is the necessary condition for an economic employment of resources. The emergence of a profit is (with certain well-recognised exceptions) the best proof of economic efficiency. It is true that many large incomes are based on profits (past or present) and that gross inequality of wealth is becoming more and more distasteful to the public. But to attack profits because there are rich men is like prohibiting milk because there is tuberculosis. Profits are not the enemy of wages, but the ally; they go up and down together, and it should be the interest of the Left to see that profits are as high as possible—whatever steps they may subsequently take to see that the profits do not get into rich men's pockets.

The Bugbear of Control

It will not, however, be enough simply to pat the business man on the back and tell him he is discharged without a stain upon his character; some more specific action will be needed. One of the business man's chief bugbears is what he calls bureaucratic control by the state, by which he means all those activities that involve filling up forms and requesting permission. Now it is obvious that the exercise of purposive direction by the state is going to require a volume of control, less doubtless than in wartime, but more than the business man has been accustomed to in the past. When the business man inveighs against “control” in general, he does not deserve a very great deal of sympathy. But there are controls and controls, and it is important that care and forethought should be given to the nature and technique of state controls as well as to their purpose.

The chief essential is to avoid divided authority and its concomitant, negative or restrictive control. Whenever one party has the initiative for taking action, and another party has to give its permission, there is danger of divided authority. Whenever, of two parties (the industrialist and the state), only one can say yes, but either can say no, there is a two-to-one bias of negation. In some cases, the activities of an industry are so closely affected with the public interest that the state must require its permission to be given in advance and in detail for every step in the development of policy—it may be that transport charges are a case in point. But if an industry gets to this point, there is a strong case for bringing it under state operation as well as state control.

In the generality of industries, the state's endeavour should be to choose, for such controls as it finds necessary, the least hampering forms. Thus, in many cases, control can be effectively exercised by a requirement of publicity

—that is, by leaving the business man free to act, provided he has to tell the world what he has done after he has done it. In other cases, instead of requiring a detailed system of licences the state can proceed by laying down a general principle of policy and by taking action *post facto* against anyone who infringes it. Or there is the technique of the open licence, which, with particular application to the markets of the City of London under exchange control, is described in another article in this issue. The tendency, in evolving the technique of controls, has been to consult the convenience of the bureaucrat much more than that of the business man. The former's desire is to have every case submitted beforehand for consideration and consent; the aim is to avoid mistakes. The business man's interest is to have known limits within which he can operate, but to be free to take his own decisions within those limits. It might be a sound idea to have a standing body, attached to each Ministry, whose task it was, not to question the purpose of controlling measures, but to adapt their form as closely as possible to the need for preserving the freedom of enterprise.

Tax-Collector and Wage-Earner

Hardly second to control as a business man's bugbear is taxation. Here again, the plea is not to reduce the volume of taxation (at least, if that is the plea, hard necessity prevents it from being listened to) but to levy it in the least damaging way. Any form of taxation has some deterrent effect on enterprise, but some are far better in this respect than others. The vital distinction is between taxes which diminish the rewards of enterprise and those which increase its risks, and there is nothing that more clearly illustrates the fact that the so-called “profit motive” is really the “avoidance-of-loss motive” than this distinction. If, through the operation of a 50 per cent income tax, the reward that a business man can hope to reap from a given transaction is cut in half, that will, admittedly, have a deterrent effect on his willingness to take the plunge. But the deterrent effect will be comparatively small; he will not have to pay the tax unless he reaps some reward. But if the tax is of the kind that has to be paid in any event, win or lose, then it actually increases the risk that the transaction will, in fact, result in loss, and the deterrent effect is much larger. Thus the golden rule in taxation is not to levy it until the profit has emerged; the taxation of losses inevitably leads to lack of enterprise and unemployment.

Between the wars, the British fiscal system took, in this respect, one step forward and a number of steps back. Rates, which have to be paid win or lose, were very largely removed from industrial undertakings in 1929. But there has been a steady growth in employers' contributions to social insurance (which, being a tax on employment, are a factor tending to make the giving of employment unprofitable), in heavy indirect duties adding to transport costs (such as the motor vehicle licences and the petrol duty), in protective tariffs on raw materials and in levies for special purposes such as the spindles levy in the cotton spinning industry. The argument is not that less money should be raised from industry, but that it should be levied after enterprise has been successful. Instead of the contribution to be levied from employers under the Beveridge Plan, for example, the present National Defence Contribution—a straight proportional tax on business profits—should be converted into a Social Security Contribution.

Labour is the source of another set of restrictions on the freedom of action of the business man. Here the argument is again similar—not to abridge in any way the gains won by Labour in recent decades, but to see that they fall on the business man in the way least likely to lead him to curtail his activities. Labour affects the business man in various ways. There is, for example, the question of restrictive practices—the sort of job-protecting rule that leads a trade union to insist on having twelve men on a machine that four or five could handle efficiently. It is easy to understand how these practices arise; but from the social point of view there is nothing whatever to be said for them, and it would be a good thing if the

employer could be given more assistance by the state—and by the Labour movement as a whole—in combating them.

Much the most important aspect of labour relations is the subject of wages, since nearly everything else that is done in the name of Labour has its effect upon labour cost and hence on wages. A high standard rate of wages is like any other form of fixed charge, an obstacle to the avoidance of loss and therefore a deterrent to enterprise. Trade union policy, in its earlier phases, necessarily concentrated on the concept of the standard wage, and it has become one of the Labour canons. But it is easily possible for labour to price itself too high and restrict its own market. Wages and earnings are not the same thing, and the individual wage-earner, like the tax-collector, might well earn more if he would defer part of his claim until the profit has been earned. From the point of view of a community that believes both in a high level of earnings and also in private enterprise, the ideal wage system is one that combines a moderate standard rate with a large share in profits. No such system can, with fairness to the worker, operate with variations from firm to firm in each industry; but there is a case for operating from industry to industry the sort of “ascertainment” that has functioned in the coalmining industry for many years.

The Equity Principle

Together with the tax collector and the wage-earner, the other partner to whom the manager of industry has to make payment is the capitalist. The principle remains the same: in so far as the payment is fixed in all circumstances, profit or no profit, it is a deterrent to enterprise; in so far as it is not made until after the profit has been earned, it can be far larger without being a deterrent. The business man's interest, in other words, favours equity financing and the ordinary share. Here, too, there has been retrogression between the wars. More and more the supply of capital has come to be in the hands of the banks, the institutional investors and the “small investor”—each of whom, for his own reasons, prefers a fixed interest security—less and less has it been in the hands of the rich man who was willing to take a risk. The state, so far from discouraging this tendency, has actively furthered it; for the new publicly-controlled boards, such as the Central Electricity Board and the London Passenger Transport Board, have been endowed with what is very nearly wholly fixed-interest capital. One of the more encouraging developments has been the growth of the unit trust movement, which is educating the small man in equity investment. Business in general looks like becoming a more rather than a less chancy matter, and it is essential that ways should be found by which the entrepreneur can get his capital on terms that share the risks and the profits. If the capital market is to be still further “institutionalised,” then the institutions must be made equity-minded.

This contrast between risks and rewards is, in fact, the heart of the matter. The gross revenue that the entrepreneur can draw from his venturing is becoming steadily more fluctuating and erratic as the world grows less stable. But at the same time the tax-collector, the wage-earner and the capital-provider have been making their demands more rigid. Between a fluctuating income and a rigid outgo, the risk of loss—which no private person can afford—is obviously greater. This, no doubt, largely explains the business man's endeavours in these last few decades to seek stability for his incomings by all the devices of protection, monopoly, restriction, price fixing and quota limitation. That way, as every one knows, lie stagnation and inefficiency. If the business man is to be told (as he should be) to abjure this form of error, he has a right to retort that there are others who should be told that they too cannot have perfect stability in an unstable world. It is the business man's particular function to take risks and to act as a shock-absorber between the world's instability and his other partners. His rôle is to have a fluctuating income. But there is a limit to the risks he can bear and still play his part. It is the community's interest to restore to him the possibility of free action.

The Future of Banking

IT is part of the institutional apparatus of banking to cultivate an air of traditionalism and stability. Banks cannot exist without the confidence of the public, and confidence is not easily granted to the changeable and the erratic. Banks must seek liquidity, but not fluidity. Their architecture is chosen (perhaps subconsciously) to suggest massive permanence and the whole appearance they present to the world must set at defiance the mutability of human fortunes.

Behind this professionally unruffled façade, however, the calling and industry of banking has been changing more rapidly in the last thirty years than in probably any other comparable period since the banker evolved from the goldsmith a quarter of a millennium ago. A bank—not only in this country—will be a significantly different institution after the Second German War from what it was before the First. The changes have not been at the instance of the banks themselves, nor have they been entirely welcome. The banks, in fact, have been largely passive agents, and the transformation of their activities has been a by-product of the wider convulsions of our times.

The nature of the changes can best be seen by a summarised comparison of balance sheets. The following table shows the assets and liabilities of the joint-stock banks of Great Britain in 1913 and in 1943. The figures for almost all the English banks are for December 31, 1913, and for June 30, 1943; those for the Scottish banks are from the balance sheets nearest to those dates:—

JOINT STOCK BANKS OF GREAT BRITAIN
(£000's)

Liabilities	1913	1943
Capital and reserves	99,364	176,508
Deposits	935,239	4,060,125
Other liabilities	88,251	163,850
Total	1,122,854	4,400,483
Assets		
Cash in hand and money at call and short notice	269,919	817,430
Investments	159,287	1,418,538
Treasury deposit receipts	...	905,500
Discounts and advances	617,564	1,076,533
Other assets	76,084	182,482
Total	1,122,854	4,400,483

The most obvious difference between the two years lies in the totals of assets and liabilities. In the thirty years, the balance sheet totals have increased almost exactly fourfold. At first, this may not seem badly out of line with the increase in the national income in the same period. National income in 1913 was probably about £2,400 million and must be running in 1943 at about £7,500 million—an increase of just over 200 per cent. But national income is unduly swollen by war conditions. If the comparison is made over the 25-year period from 1913 to 1938, from the eve of one war to the eve of the next, the increase in the balance sheet totals of the banks was 163 per cent, and in the total of deposits 177 per cent, compared with an increase in the national income of about 90 per cent. Clearly, the banking business has been expanding much more rapidly than the wealth and income of the country.

The cause of this expansion is, of course, the great creation of credit during the two wars of this generation. A full-scale war cannot be financed wholly out of the proceeds of taxation and of "genuine" savings (i.e., savings derived from individual and corporate expenditures being less than income). Both in the last war and in this, the Treasury has had to have recourse to the banks. This method of financing is not necessarily inflationary in the wider economic sense of the term; it may merely reflect the hoarding of funds by persons who, for one

reason or another, do not invest them in Government loans. But it certainly exerts an inflationary effect upon the balance sheets of the banks. When a bank advances £100,000 to the Government against Treasury deposit receipt, £100,000 is added to the assets and (when the Government spends the money) to the liability side of the balance sheet without there being any, or at least any commensurate, subtraction from any other items.

The Unreceding Tide

This is, of course, familiar doctrine. But what is more interesting, and less generally realised, is that the tide never recedes. So far as it is possible to tell from the inadequate statistics, the banks' deposits increased during the last war—say from 1914 to 1920—in slightly smaller proportion than the national income. But when the war was over, national income diminished under the double influence of falling prices and rising unemployment while the credit created remained. The highest end-year total of deposits in the English and Scottish banks was £2,266 million in 1921; the lowest of the subsequent years was £2,048 million in 1925—a fall of less than 10 per cent from highest to lowest. When the war and its aftermath were over, the public was left with a substantially higher volume of money and credit, relatively to its income, than it had before the war began. Moreover, throughout the years of peace, there seemed to be a similar tendency for the money supply to outrun the national income. Between 1924 and 1938, the national income, on Professor Bowley's estimates, increased by a little less than 12 per cent. During this period, the total of English and Scottish bank deposits increased by 26 per cent. If the period is examined in detail, the cause is discovered to be similar to that in the war period. When the national income is increasing, as in 1924-29 and 1932-38, the banking system expands; when the national income contracts, as in 1929-32, the banking system does not contract with it.

The present war is repeating the experience of the last. The exigencies of Government finance are creating the necessity for a large and continuous expansion in the banking system. Every year since 1939, the deposits of the London clearing banks (whose figures, unlike those for all the banks in the country, are available month by month) have increased by from 10 to 18 per cent, and 1942, on the average, was about 44 per cent above 1938. This is less than the increase in the national income, which was 64½ per cent in the same period. But the national income will fall after the war; there will be a reduction in overtime earnings and some prices will fall, even though any overall decline in the price-level is avoided and full employment is attained. In the April, 1943, issue of the *Economic Journal*, Mr Nicholas Kaldor estimated that the post-war national income—on certain reasonable assumptions, of which a 25 per cent rise in the general level of prices was one—would be £6,500 million, or 40 per cent above the 1938 level. But, if the recent rate of expansion in the banking figures continues until the end of 1944, bank deposits in 1945 will be from 80 to 85 per cent above 1938. In these quite likely circumstances, over the whole 32 years from 1913 to 1945, bank deposits will have increased about fivefold and the national income about 2½ times. The ratio of bank credit to the national income will have almost doubled in a generation. If war finance continues beyond the end of 1944, or if there is a slump in prices, or if reasonably full employment is not maintained—in any of these contingencies the conclusion will be reinforced.

It would be tedious to recite the figures for other countries. It must suffice to say that all other countries with a similar banking tradition to the British have had the same general expansion.

LLOYDS BANK

LIMITED



The name of Lloyds has been a household word in banking circles since 1765, when the firm of Lloyds & Company was established at Birmingham. In 1865, this firm became a Joint Stock Company and was known as Lloyds Banking Company Limited, which name was changed to the present title in 1889. Since 1865 more than fifty private and Joint Stock Banks, one of which was established in Lombard Street in 1677, have been absorbed by Lloyds.

Whilst maintaining many of the traditions attached to the days of the private banker, Lloyds Bank has kept abreast of the changing conditions and customs of the time, and the services it offers have been constantly extended and modernised.

Head Office:

71 LOMBARD STREET, LONDON, E.C. 3

Established
1833

NATIONAL PROVINCIAL BANK LIMITED

Head Office:

15 Bishopsgate, London, E.C.2

Affiliations:

COUTTS & CO.
GRINDLAY & CO. LTD.



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



Experience and Progress

Barclays Bank has a history covering a period of more than two centuries. The accumulated experience and sound traditions of the past are united with a progressive policy in an organisation fully equipped to meet all modern requirements.

The Bank has Branches throughout England and Wales and is directly represented by affiliations in many parts of the Empire and elsewhere.

BARCLAYS
BANK
LIMITED

Head Office:

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

GREETINGS AND CONGRATULATIONS

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

having nearly concluded 100 years of successful banking in India and the Far East, extends best wishes to *The Economist* on the attainment of its Centenary of pre-eminent journalism.

HEAD OFFICE

38, BISHOPSGATE, LONDON, E.C.2

WEST END BRANCH

28, Charles II St., Haymarket, S.W.1

Manchester Branch: 52, Mosley Street

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.

National Bank of India LIMITED.

Established in Calcutta 29th September, 1865.

Bankers to the Government in Kenya (B.E. Africa) & Uganda.

SUBSCRIBED CAPITAL - £4,000,000
PAID-UP CAPITAL - £2,000,000
RESERVE FUND - £2,200,000

Board of Directors:

R. LANGFORD JAMES, Esq., Chairman.
J. K. MICHIE, Esq., Deputy Chairman.
L. T. CARMICHAEL, Esq. W. SHAKESPEARE, Esq.
W. G. LILLY, Esq. A. N. STUART, Esq.
J. R. H. PINCKNEY, Esq., C.B.E.

General Manager - R. L. HIRD.
London Managers - T. T. K. ALLAN,
N. W. CHISHOLM.

HEAD OFFICE:

26, BISHOPSGATE, LONDON, E.C.2

BRANCHES:

CALCUTTA. COCHIN. MOMBASA Kenya.
BOMBAY. RANGOON. NAIROBI
MADRAS. MANDALAY. NAKURU
KARACHI. COLOMBO. KISUMU
CHITTAGONG. KANDY. ENTEBBE Uganda.
AMRITSAR. NIWARA ELIYA. KAMPALA
CAWNPORE. ADEN. JINJA
DELHI. STEAMER POINT. TANGA Tanganyika
LAHORE. ADEN. DAR-ES-SALAAM Territory.
TUTICORIN. ZANZIBAR. MWANZA

AGENCY:

GALLE, CEYLON. MESSRS. CLARK, SPENCE & CO.

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business.

Current Accounts opened and Deposits received for fixed periods not exceeding one year; rates available on application. Circular Letters of Credit available throughout the World issued to constituents at Head Office and Branches. Trusteeships and Executorships undertaken. Income Tax Returns prepared and Claims submitted.

THE MERCANTILE BANK OF INDIA LTD.

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 ... £1,258,184

BOARD OF DIRECTORS

Sir Charles Alexander Innes, K.C.S.I., C.I.E. (Chairman)
Sir Thomas Smith, Kt., V.D. (Deputy Chairman)
The Hon. R. H. V. Smith James Stuart, Esq.
Sir Clifford Figg Sir John G. Hay
Evelyn James Bunbury, Esq., M.C.

BRANCHES AND AGENCIES THROUGHOUT THE EAST

NEW YORK AGENCY: BANK OF MONTREAL

Every Description of Banking Business transacted.
Trusteeships and Executorships Accepted.

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

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.

many cases (in the United States, for example) the depression led to much greater monetary expansion than occurred in this country.

Expansion, even on this scale, would not by itself justify the assertion, with which this article started, that the whole character of banking is changing. But the expansion has had profound effects upon the composition of both sides of the banks' balance sheets. On the liabilities side the changes are not immediately apparent. Capital and reserves, it is true, are much lower relatively to the total business than they were thirty years ago, with the result that satisfactory dividends can be earned with a lower rate of profit on turnover. But the more important changes on the liabilities side are wrapped up in the total of deposits. In fact, it is impossible to be certain what the changes are. It can only be said that they must be considerable. Since 1913, something like £3,000 million of bank credit has been created and has lodged in the deposits of the banks. Who owns these deposits? How has the distribution of the total—for example, between individuals and business firms—altered? These are questions to which it would be most valuable to have the answers. One thing, however, is clear. The deposits now on the books of the banks have not originated from anything that can properly be called saving. Three-quarters of them have come into existence since 1913, and their origin lies in Government financing. Whatever may have been true in the past, it is almost wholly misleading today to regard bank deposits as the fruit of voluntary abstinence on the part of anybody.

Investments and Advances

The changes on the assets side are more interesting. Over the whole period, the figures are available only in the very summary form given in the first table of this article. Even this, however, shows the main outlines of the changes that have taken place. In 1913, investments and advances were 55 per cent. To-day, investments have risen to 32 per cent, and discounts and advances have shrunk to 24 per cent. The story can be traced in more detail from the London clearing banks returns for the period from 1924 to date. In the following table, the 1924 figures are the monthly average of that year, the 1943 figures the average of the first six months of the present year. (The division of discounts between commercial and Treasury bills has been estimated for 1943; the 1924 figure is taken from the Macmillan Report):—

LONDON CLEARING BANKS

	1924		1943	
	£ mn.	%	£ mn.	%
Cash in hand and at Bank of England and cheques in course of collection.....	217	11.4	499	13.1
Money at call and at short notice.....	80	4.2	151	4.0
Commercial bills discounted.....	126	6.6	(50)	(1.3)
Treasury bills discounted.....	105	5.5	(123)	(3.2)
Treasury deposit receipts.....			917	24.2
Investments.....	365	19.1	1,133	29.8
Advances to customers, etc.....	774	40.6	759	20.0
Other assets.....	239	12.5	168	4.4
Total assets.....	1,906	100.0	3,800	100.0

The money at call and at short notice is used in the stock exchange and discount markets and can therefore be regarded as indirectly invested in securities and bills. If an arbitrary distribution of this figure is made, it would appear that in 1924 the clearing banks were lending about £500 million to the Government against about £950 million to the public. In 1943 the figures are about £2,275 million to the Government against £860 million to the public. In 1913 loans to the Government probably absorbed only about one-sixth of the banks' resources and in 1924 only just over one-quarter; to-day the proportion is three-fifths and by the end of 1944 it may well be about two-thirds or even more.

Nor is this change due entirely to the increase in Government securities. Perhaps the most interesting phenomenon of all is the decline in advances. In 1913

the advances of the constituent elements of the present clearing banks were probably about £450 million; in 1924 they were £774 million, and to-day they are £759 million. Thus over the whole period of thirty years, while the national income has more than trebled, the public need for accommodation from the banks has increased by less than 70 per cent; and during the nineteen years since 1924, while the national income has nearly doubled, advances have actually fallen. Wartime conditions, admittedly, are peculiar; but the comparison would still be startling enough if it were taken to 1938.

What has been happening, in short, is that the state has been forced to multiply the means of payment in existence. This newly created credit has lodged in the hands of individuals and business firms who use it as their circulating capital instead of borrowing from the banks. The banks are left to hold, in the form of deposits, this greatly inflated corpus of credit, while the mere fact of its existence deprives them of the possibility of employing it in the classical way. In other words, the textbook definition of a bank is now badly out of date. A bank used to be an institution which collected savings by offering to pay interest on them, and used them to make loans to industry and trade. A bank nowadays is an institution which holds the credit-money of the community, created by Treasury financing, and uses it to finance the Government deficit.

Will there be a reversal of trend after the war? There may be some revival in the demand for advances, and it is possible that the banks will be able, over a period of years, to dispose of some of their inflated holdings of investments (the second change depending, of course, upon the first). But it is unlikely that there will be any substantial reversal. If, after the last war, in spite of the sharp deflation of prices and chronic depression, there was a contraction of less than 10 per cent in the total volume of bank credit, is a large decline, or any decline at all, likely after this war? Moreover, both public and expert opinion, in its present mood, looks with much less disfavour on Budget deficits than it did after 1918. The omens would seem to suggest a continuance rather than a reversal of recent trends.

The Pampered Depositor

If so, several important consequences for the banking system seem to follow. Banking practice hitherto has been based on attracting and pleasing the depositor. He was the basis of the business. Unless he could be persuaded first of all to accumulate savings and secondly to entrust them to the banks, there would be no banking business. But this is completely untrue to-day. The depositor cannot do anything else with his balances but leave them on deposit. They did not originate in any abstinence on his part; they came into existence as bank credit, and can have no other form of existence. Even an attempt to convert them *en masse* into "currency" would have no other effect on the banking system as a whole than to turn them from one form of bank debt into another (though it would, of course, raise difficult problems as between the joint-stock banks and the Bank of England). The depositor of to-day is rendering no service to the banking system in "depositing his money" with it; he cannot help himself; and the banks are performing a very large service of convenience to him in handling his transactions. The boot is entirely on the other foot. It is true that any individual bank must, in theory, defend its deposits against the other banks, but with such few and such equally well managed banks as there are to-day, there is really little force in this argument. It follows that there is no longer any justification for the pampering of depositors in which the British joint-stock banks, perhaps more than those of any other country, still indulge. The banks perform most valuable services for their depositors for which their charges are much lower than either the cost of performing them or the sum the depositor would pay rather than go without them. Of the functions that the banks perform, that of holding the community's cash and handling its transactions is being heavily subsidised at the expense of the others.

The Cost of the Debt

What are these other functions? Broadly speaking, they are those of lending to the Government and to the public, in the ratio of about three to the former and one to the latter. Clearly, if the rates charged for these loans can be reduced, the public interest will be served. Cheap money is an essential part of any full employment policy and the rate charged by the banks for advances is one of the basic elements in the whole interest-rate structure. As for the rate charged on loans to the Government—whatever the exact instrumentality—the advantages of a reduction are obvious. The only justification that can be advanced for charging anything like commercial rates on created credit lent to the Government is that the banks incur costs in handling the deposits to which their loans give rise. But if depositors bore the costs of handling, this argument would disappear. It would certainly be wrong after the war to fund the floating debt now held by the banks (either in Treasury Bills or in Treasury Deposit Receipts), unless some form of funding could be devised that would not increase the rate of interest paid. And methods should be explored of further reducing the burden on the Exchequer of servicing the public debt held by the banks. There are great technical advantages in having part of the banks' holdings in securities which can be bought and sold on the market, and these securities naturally bear the market rate of interest. But the rate paid on Treasury Bills and Treasury Deposit Receipts is fixed almost at will, without regard to the markets, and it might not be impossible to assign arbitrary rates of interest to part of the banks' long-term holdings—that is, to their investments.

This suggests an altogether novel way of regarding the profit-and-loss position of the banks. After this war, some two-thirds of their business will, in effect, consist of financing the Government, and on the greater part of this business there is no external criterion for determining rates. Over a period of years, the aim should be to shift the greater part of the burden of meeting the operating costs of the banks—suitably abridged by all reasonable econo-

mies—on to the depositors, at least to the extent of charging, for the services performed, what they are worth to the recipient. If, after this has been done, there is any part of the total costs (including reasonable profits) which is not covered by (a) interest charged on advances, and (b) interest earned on securities purchased in the open market, then—but only then—a charge should be made for the remainder of the public debt held by the banks. In other words, the cost to the Exchequer of this portion of the national debt would be the net cost of operating the banking system, after all those for whom it performs services have paid for them. This net cost might well turn out to be nil, or even negative.

This suggestion has been stated bluntly, with the aim of clarity. But it would be sufficiently disruptive of traditional banking practice to require the most careful examination before it could be applied. It may, in part, be described as an attempt to apply to the banks as a whole the principles that already govern the Issue Department of the Bank of England. The analogy is close; for the joint-stock banks are rapidly approaching the position of the Issue Department. On one side of their balance-sheets they are issuers of fiduciary money; on the other they are holders of public debt.

It is not the purpose of this article, however, to propound any specific proposals, except by way of illustration of the type of adjustment that will be necessary to meet the changed position of the banks in the community. It is the extent of that change that it has been here intended to emphasise. Thirty years ago, the banks were trading institutions like others, with particular responsibilities for probity and caution, but with no closer organic connection with the central mechanism of the state than many other industries. To-day, they have been caught up in that mechanism beyond the possibility of disentangling. It is easy to show that the ingenuous device of simple nationalisation would create many problems and solve none. But it is even easier to show that some readjustment of the banks' relationship to the community will soon be inescapable.

The Steel Industry

A Case-Study in Industrial Policy

THE steel industry of Great Britain is an excellent clinical case for the new art of industrial politics. It is an industry whose existence and efficiency are basic to the strength of the country in peace or in war. It is an industry whose present state is unsatisfactory. But it does not lend itself either to simple nationalisation or to simple competition. And the compromise solution that has been pursued since 1932, that of a protected and state-sponsored cartel, seems to most of those who have no interest in the matter to be the worst solution of all. Monopolistic practices in the steel industry would ensure an early if comfortable death from hardening of the arteries; the enforcement of price competition would bring a painful death from capital starvation; bureaucratic control might keep the industry going, but with the community paying its bills. The economics of steel illustrate the urgent need for a new technique of organisation which will ensure the progress and efficiency of large-scale modern industries, a technique which should combine the virtues of private enterprise and initiative with the virtues of disinterested expert guidance and direction in the interests of the community.

Steel economics are dominated by three factors. First, the capital required for a modern steel plant is very large, running into millions of pounds. The technical developments of the present century have steadily increased the size of the minimum efficient unit. Secondly, the rate of obsolescence in the industry is high, since the technique of steel-making and the science of metallurgy are both still advancing very rapidly. Better methods and new pro-

cesses are continually being evolved—for example the new sheet mills of Richard Thomas and Co., Ltd., at Ebbw Vale, turn out not only cheaper but also better sheets than the old mills in South Wales. Thirdly, the demand for steel fluctuates very widely from year to year. The management of an efficient steel industry thus involves not merely a high degree of technical competence and initiative, but the willingness and ability to take large risks.

Defects of Old Methods

The organisational difficulties of the industry arise out of these three factors. In the period before 1914—or at least until the end of the nineteenth century—these difficulties did not arise, partly because the demand was still rising rapidly, but mainly because, in the then state of technique, there was room in the British market for a comparatively large number of separate units. The conditions approximated to those of a competitive market, and competition worked. The basic reason why free competition (which may still be appropriate in the United States) will not work in Great Britain to-day is that the units are too large relatively to the market. The erection of a single new plant—or the extension of an old one—is of concern to the whole industry and might knock it off its balance. In these conditions, competition could only result in the cutting of prices down to levels at which they barely covered current costs and made no provision for the maintenance, renewal or improvement of plant.

The attempt of a newcomer to compete by the erection of a more efficient plant might, by paradox, result in a lowering of the average efficiency of the whole industry.

Some measure of combination, to prevent prices from being so far reduced that capital cannot be maintained and to control the erection of new capacity, is thus almost inevitable in a country such as Great Britain. In accordance with the general economic policy of the Baldwin-Chamberlain period, the steel industry was, in 1932, given the protection it asked for and encouraged to form its own central organisation. The public interest was to be secured by the appointment of an independent chairman of the British Iron and Steel Federation. The results of this policy are well known. There was a certain amount of technical reorganisation, and the standard of efficiency rose from the low levels to which it had been driven by the prolonged depression of the 1920's. But the degree of reorganisation was limited by two factors. First, the sovereignty of the steel firms could not be infringed, unless, of course, like Richard Thomas, they got into trouble with the banks. This meant that reorganisation had, in most cases, to stop short at the financial frontiers, which were almost as intricate as the political boundaries of eighteenth-century Germany. And secondly, the policy of the Federation had a definite bias towards making things easy for the high-cost producer. It is one thing to say that a newcomer should not be allowed to shatter the whole price structure of the industry. It is another to say that every existing producer shall be enabled to go on earning profits. If the period 1932-39 was one of steady progress in technical efficiency, it was also one of rising prices. Whoever benefited from the increased efficiency, it was not the British steel consumer, who was consistently charged a price for his material higher than his foreign competitors had to pay. The independent chairman was doubtless a brake on these monopolistic practices; but it is perhaps a sufficient verdict on the efficacy of the device to note that the Import Duties Advisory Committee, the inventor and best friend of the independent chairman, had concluded by July, 1937, that an independent body was necessary to represent the public interest in matters of capital development, price fixing and tariffs.

Nationalisation?

If neither competition nor self-government is the solution, perhaps the industry is "ripe for nationalisation"? It is indeed very heavily affected with the public interest, and the right and duty of the state to control its destiny have been admitted for many years. But there could hardly be an industry less suited to nationalisation in any of the accepted meanings of the word. Outright departmental control is quite out of the question; nothing is less routine and more unlike the accustomed principles of Treasury control than the management of a steel mill. A public corporation, with a fixed-interest capital structure and committee government, would be hardly any better. It is rather a case for the abandonment of preconceptions and for the evolution of a new form of organisation to fit the special requirements.

The interest of the state can be stated quite briefly. It is to ensure that the industry is brought to the highest possible pitch of technical efficiency, and to see that the fruits of this efficiency accrue (after reasonable provision for capital) to the many industries for which steel is a basic raw material. There is no inherent reason why these aims should not be achieved. The basic advantages of this island in steel-making still remain. There is coal in plenty; iron ore is easily available—either imported ore brought to the coastal mills, or the low-grade native ore, the use of which has so greatly increased in recent years, especially during the war. The second largest national income in the world—and therefore, other things being equal, the second largest market for steel in the world—is at the mill gates. Skilled labour exists at wages distinctly lower than in North America. In the whole chain from mine to ultimate consumer there should be a smaller element of transport costs for British steel than for any

foreign steel. There is no reason why steel should not be made as cheaply in this country as anywhere else in the world. The war will not have disturbed the industry this time nearly as much as last. There has been some improvement of the main carbon-steel capacity of the country; but there has been no great expansion and accordingly there will be no great problem of excess capacity. Where the expansion has occurred is in special steels and in special processes—in alloy steels and in such things as drop forging capacity—and these are the departments in which the greatest buoyancy of demand can, in general, be expected.

The Technical Approach

On what lines should reorganisation proceed to turn these potential advantages into actualities? The key to the problem lies in the technical approach. The great technical defect of the British industry is its dispersion in small units. As a first step, let a purely technical plan be drawn up for the geographical re-grouping of the present capacity of the industry. It should be a plan for rationalisation, in the sense that its object is to re-group the industry in technically rational units. The instructions to the technicians should be to ignore all questions of ownership and to think solely of furnaces and mills. The details of such a plan are highly technical matters; but the layman can understand the first principles. The conditions of production and demand preclude the concentration of crude steel production in a few plants of American size. Some plants would have to be near ore bodies as they are now, while others could best be located on the coast, where they can draw on sources of cheap imported raw materials. There can be very little doubt that such a technical plan would result in a reduction in the present number of units and in the emergence (together with a number of special plants) of a comparatively small number of much more closely integrated units. In some cases, existing plants might be left untouched. In other cases, there might have to be additional construction at some centres to match scrapping elsewhere. And in some cases there might well be physical removal of plant from one location to another.

The second stage should be to turn this technical plan over to the financiers with instructions, not to amend it, but to devise methods by which the tangle of ownership could be sorted out and each technical unit become the property of one company. This, again, is a specialist problem of some complexity. But it is not impossible of solution. One possible method would be to create a new company for each technical unit, to convert all existing companies into holding companies and distribute the shares of the new operating companies in accordance with a valuation of assets or some other agreed criterion.

The third stage should be to see that the industry, thus rationalised, was provided with sufficient capital to replace every item of obsolescent plant. In so far as the grouping itself involved new construction, it would automatically effect a certain amount of replacement, but much more would certainly be needed. If this additional capital could be raised in the capital market, well and good. But it is unlikely that the whole would be forthcoming from the public. In that case, the state would have to find the finance. But if so, it should provide the finance on equity terms—that is, by the purchase of ordinary shares in the operating companies. This is desirable on two grounds. The first is that it would not burden the new companies with heavy fixed-interest obligations at a time when the average future rate of profit must be impossible to calculate. The second is that it would provide a means whereby the state could exercise a direct control in proportion to the public funds invested in the industry. There is, of course, ample precedent for equity investments by the Government. If one generation could purchase a portion of the equity capital of the Suez Canal Company and another generation make an equity investment in the Anglo-Iranian Oil Company, there is no reason why a third generation should not buy the ordinary shares of a still more important industry. And if this investment of equity capital by the Government led in due course to a

majority holding, then nationalisation would have been secured by the most orthodox methods of capitalist finance. But even after such a culmination of the policy, it would be essential that each of the operating companies should be run as an ordinary commercial enterprise, under a board of directors and with the best managers that money can hire.

A Steel Commission

A policy such as has here been outlined will never be brought to birth by the worthy bureaucrats of the Board of Trade and the Import Duties Advisory Committee. Nor will it ever be recommended to the Government by the British Iron and Steel Federation (which is the existing companies) or by the Iron and Steel Control (which is the same body under another name) or by the Raw Materials Department of the Ministry of Supply, whose Minister is the former (and possibly prospective) independent Chairman of the Federation. In short, if any policy of this nature is to come about, a necessary preliminary would be the appointment of that independent body to represent the public interest which IDAC proposed in 1937. Such a Steel Commission, in fact, is very badly needed. It should consist, not of representatives of management or labour (though it might well have representative assessors to assist it), but of persons chosen for their individual technical knowledge and competence. The place to look for prospective members of such a Commission is among the younger and more progressive managers and technicians in the industry, and it would be an advantage to have one member with American and another with Continental experience. These Commissioners should be full-time servants of the Crown; they should be paid

enough to secure first-class men; they should be required to sever all connections with the industry; and they should act collectively as the advisers of the Government on all matters relating to the steel industry.

Their first task would be to draw up the plan of rationalisation outlined above, and their second to see it through to accomplishment. In the third stage, they should be the channel through which Government funds are supplied to the industry and the registered holders of any shares acquired. But their functions would not end with the rationalisation plan. IDAC proposed such an independent body for purposes of price-fixing and tariffs, as well as for capital development. They should in fact be the agency through which the state exercised any of its functions in relation to the industry. The industry as such should have no power to fix prices or to designate production quotas. If fixed prices or output quotas were needed, the Steel Commission should fix them. If protection against foreign competition were needed, the Steel Commission should fix its amount. Its standing instruction from Parliament should be to ensure that the technical efficiency of the industry—not merely in a few show plants but throughout the industry—was maintained at the highest pitch and, remembering that this involves the earning of fair profits on existing capital, to see that the benefits of efficiency were passed on in the fullest possible measure to the consumer.

The solution here sketched has been hand-tailored for the steel industry. There is probably not another industry in the country that should be handled in just this way. The better will it serve as an example of the flexibility of methods that needs to be sought in adjusting the relations between individual industries and the state, as trustee for the community.

An International Example

IT is a truism in Hitler's world to say that national sovereignty is not enough. The scale of military and industrial power necessary to mount a modern war effort debars any but the largest Powers from maintaining effective security in isolation. Unfortunately the passion for sovereign independence is, if anything, stronger to-day than fifty years ago and the difficulty about most schemes for securing interdependence, be they Leagues or federations or multilateral alliances, is that they attack the question of sovereignty at its rawest and most sensitive point. The central fact about a federation is that it transfers powers from the participating states to a new federal authority. By definition, it is a diminution of sovereignty. It tends, too, to transfer just those powers which modern statesmen look on as the hallmark of independence—foreign relations, military power, broad questions of economic policy.

Yet the need for interdependence remains. If solutions are not immediately obvious in the sphere of politics, they must be sought by other means and at other levels of international life. One of the most striking facts about the League of Nations is that its economic and technical services showed more solid achievement than its political efforts. In the course of this war, too, technical and economic arrangements directed towards specific objects—such as Lend-Lease, the various raw material controls, the shipping pool—have had a profounder effect on the activities of the participating Powers than general political arrangements such as the Pan-American conferences. It can be argued that if agreement between the nations is sought in relation to a specific problem and not to a particular transfer of power, it is far easier to secure agreement. Power falls into its proper perspective when it is seen, not as an end in itself or as a jealous possession, but simply as a means to accomplish a desirable end. Sovereignty is sacrificed without any consciousness of sacrifice, for while absolute control is diminished, possibilities for positive action are greatly enlarged.

This method of concentrating on particular problems as opposed to general political principles may be called the

functional approach to international collaboration. Too much must not, of course, be claimed for it. The basic problem remains the same—the pooling of political power, particularly of military power. But functional co-operation can be a means for persuading the Powers ultimately to make the wider sacrifice. By showing them that minor sacrifices of authority for specific ends are not only easy but advantageous, it can put them in a better mood for accepting the final sacrifice of power to a super-state or world authority which is the only ultimate guarantee of peace. Britain needs international order more than any other Great Power. It would be folly for the British to neglect any method of reconciling the nations to pooled sovereignty. Indeed it would be doubly foolish to do so, for, by a typical process of British empiricism, a remarkable piece of functional international machinery, the Middle East Supply Centre, has been evolved in the course of this war. It is an experiment which can be maintained in its own area for the post-war period and, with modifications, serve as a model for similar centres elsewhere.

Supply Centre

Among the states served by the MESC—Egypt, Iraq, Persia, Syria, Lebanon, Transjordan, Palestine and Saudi Arabia—form, broadly speaking, a natural regional grouping. They are to an overwhelming extent Arab. They have very similar climatic conditions—extremes of heat and cold and a general problem of drought. With the exception of Palestine and Egypt, their industrial development has hardly begun. Great economies could be secured if the area were developed as a unit. In any case, many of the problems, particularly the problem of power and irrigation, cross national frontiers. But the states are fiercely nationalist, and where, as in Syria and Palestine, dependent status is still maintained, full national sovereignty is the chief goal of politics. The Middle East is thus a microcosm of a much broader world problem—how, in an area which in order to achieve prosperity and security cries out for unification, to transcend a multitude of jealous national sovereignties.

1563  1831

OVERSEAS BUSINESS

MARTINS BANK is fully equipped to help traders and others in transacting all classes of Home and Overseas business. Particulars can be obtained at any of the Bank's Branches.

TOTAL ASSETS : £183,000,000

MARTINS BANK

LIMITED

London District Head Office: 68 Lombard Street, E.C.3
HEAD OFFICE: WATER ST., LIVERPOOL, 2

SECURITY FIRST



FOR
ALL YOUR
INSURANCE NEEDS

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

Our Congratulations

to The Economist

on the completion of a century's useful service.

Already a centenarian ourselves, our felicitations assume an added significance in that the sound principles of The Economist throughout this lengthy period evoke a responsive note in our own ideals and conceptions.

The
Liverpool & London & Globe
Insurance Coy., Ltd.

Head Office: 1, Dale St., Liverpool, 2 (Chief Office): 1, Cornhill, E.C.3 London



FOR 100 years *The Economist* has commented on, criticised and interpreted affairs. It has seen life move at an ever-increasing tempo; it has seen ideas that could not stand the test of time disintegrate before more enlightened thought.

From the opening of this century HARRAP'S have published books for thinking people—students' text-books, dealing with principles such as PROF. GIDE's standard works; topical and provocative books such as GUSTAV STOLPER's *This Age of Fable* (10/6 net), or contributions to current discussion, such as *The Problem of Unemployment* (9d. net). the 'outstanding' paper by LEVER BROS. AND UNILEVER LTD.

HARRAP'S offer their congratulations and good wishes to
The Economist.

LONDON · SYDNEY · BOMBAY · TORONTO

B. W. BLYDENSTEIN & CO.

BANKERS

54-55-56 Threadneedle Street
London
E.C.2

*Every facility for
BANKING
business with
SWEDEN
afforded by*

SKANDINAVISKA BANKEN

Central Offices:
GOTHENBURG
STOCKHOLM - MALMÖ



ERLANGERS LTD.

BANKERS

4, Moorgate,
London,

E.C.2.

102 YEARS STEADY PROGRESS of the United Kingdom Provident Institution for Mutual Life Assurance

	Total Funds	Total Amount Assured (including Bonuses) in Force
1850	£44,222	£507,107
1870	£1,246,168	£5,646,149
1890	£4,902,801	£11,618,386
1910	£9,182,354	£21,727,373
1930	£18,960,141	£46,437,663
1942	£27,857,680	£63,935,534

The above figures give an indication of the ordered progress of this Mutual Life Office, which has continued to gather strength and popularity since it was established in 1840. Having no shareholders its only concern is for its policy holders, to whom the whole of the profits belong. Its valuation is stringent and past bonuses have been on an attractive scale. It has branches in most large towns.

Correspondence invited or Prospectus sent on request.

SIR ERNEST J. P. BENN, Bt., Chairman and Managing Director.

THE UNITED KINGDOM PROVIDENT INSTITUTION

Head Office: 196 Strand, London, W.C.2

Phone: Temple Bar 4062

The MESC's wartime work is chiefly to regulate the flow of supplies into this area in the interests of war economy. This it can do because shipping is short and all imports come in on sufferance. The question here is not the activities of the Centre during the hostilities, but whether as a piece of machinery it can serve a vital purpose after the war. Its organisation is simple. Since 1942, it has been a joint Anglo-American venture. It derives its authority from the fact that it is the sole channel through which the British and American Governments deal with the various supply problems throughout the Middle East. The men working at the MESC are predominantly technical and scientific and, incidentally, young. Their chief work is to serve as a centre of information and contact, to advise, instruct and encourage the local authorities, to be, as it were, the guiding intelligence for the whole area.

Some of the work done by the MESC already points on towards the functions it could fulfil after the war. The establishment of the Centre as a clearing house for ideas led to the discovery that many of the experiments in agricultural development which were being successfully carried on in one area never found their way to neighbouring states, however similar the conditions. The MESC has become a general transmitter of agricultural projects and improvements. For example, the colonial authorities in Cyprus had worked out an admirable scheme for dealing with the menace of the goat to reafforestation. Since Cyprus, as a British colony, was administratively closer to the British West Indies than to its neighbours in the Mediterranean, it was only after the setting up of the MESC that the excellent system of goat-control was brought to the notice of the Syrians. Similarly, successful experiments in the growing of seed potatoes have now been extended from Malta and Palestine to other Middle Eastern states. Iraq and Persia have profited by Palestinian varieties of early-growing wheat.

Regional Services

This pooling and exchange of information is backed by surveys carried out by experts from the Centre into local conditions of agricultural production, with comments on how they could be improved. The Centre has also arranged for the provision of agricultural machinery. Most important of all, perhaps, are the schemes of irrigation which it has sponsored. Three are being operated in Persia, another is under discussion for the headwaters of the Euphrates. In Syria, a scheme which, like the Euphrates scheme, had been considered for years, was carried through by the 61st Tunnelling Company of the South African Army at the request of MESC. They bored a tunnel to the Litani River, and brought water to 7,000 acres, which will be bearing crops in 1944.

Another example of international co-operation planned through the Centre is locust control. Research established the fact that these devastating insects executed a regular nomadic cycle through the Middle East, wintering in Southern Persia, to return, marauding all the way, through Iraq, Syria and Egypt to Abyssinia. No one Government could ever have dealt with this vicious circle, but the MESC has been able to bring all the interested states together. Under the direction of Dr Uvarov in London, locust poison and the necessary implements have been despatched to Cairo; the RAF and the Red Air Force have provided the planes; and all the nations—Abyssinians, Saudi-Arabs, Persians, Iraqis—have joined the exterminating crusades operating from the air and on land the length of the Red Sea and up through Persia and Iraq. For the first time in history, the plague may be brought under control. Without the MESC, the necessary co-ordination would not have been achieved.

The MESC has operated successfully in the medical field. The shortage of medical supplies has compelled the various states to place their orders in bulk with the MESC. This has made possible a very useful standardisation of drugs and medical appliances and hospital equipment. Hitherto each state had its own preferences. The variations were valueless and prevented any pooling of the medical resources of the area. The new types of supplies are more

uniform, medical practices in different areas are being brought into line and, through the medical committees set up in the Middle East, government medical services are coming into contact, in the RAMC and the American services, with the finest medical minds of Britain and the United States. These two factors have undoubtedly raised the standard of public health already. In an area where malaria is a greater scourge than locusts, far more could be done.

The Post-War Task

There are a hundred other examples of successful work—the creation of new industries, for example, or the assistance given to transport. But these are enough to illustrate the kind of influence the MESC, and other similar centres, could exercise after the war. The Centre should be conceived of, first of all, as a pool for all kinds of economic, social and technical services. It should be able to make available at any time the best kind of advice and assistance to the Governments in the area it serves. These experts would vary. Sometimes they would be seconded from home or from another field job. Sometimes they could come out and serve a term of years. The important thing would be that, in an area starved of technical efficiency, expertise would be always available without onerous political or economic conditions attached to its use, although the various Governments should certainly be asked to contribute something in return for the advice they receive.

The Centre would also be a programming or planning Centre. The experts would conduct regular surveys of areas or problems and advise the Governments on the best methods of solving their difficulties. Any problem which was beyond the competence of the local authorities or involved two or more Governments could be referred to the Centre for expert opinion. Its conclusions would not be binding, but its powers of suasion would be very great. It would be hard for any Government to oppose a scheme fully worked out in practical terms and of obvious advantage to the whole area. The planning could cover schemes for capital development. In the past the Middle Eastern states have had neither the money nor the skilled labour nor the experts to embark on big projects. Since the sojourn of the British Army, two of these three lacks have been remedied. The area is bulging with sterling, and as local workers are released from roads and airfields and camps, a pool of skilled labour is coming into existence. What is needed is the vision and skill to transfer this potential wealth into practicable schemes. By energy and guidance and clear thinking the Centre could develop the work done so far a hundredfold. Irrigation schemes, roads, power, artesian wells, industrial development, all crossing and recrossing national frontiers, could give a unity to the Middle East which five generations of pan-Arabism would not achieve. Indeed, the Centre could be the kernel of effective unity round which the latent desire for political unity could grow up. Arab federalism in the abstract will split on nationalism, on prestige, on minority problems. Arab unity achieved through work and development and rising living standards is practical politics.

A Centre of this sort, beginning as a piece of effective machinery for regional planning, co-operation and research, might, if it were kept flexible enough and the people running it were sufficiently imaginative, stretch out in a hundred directions—to regional health services, transport authorities, public utilities, industrial and agricultural development boards—and be adapted with necessary modifications to other regions the world over—to East and West Africa, South-Eastern Asia, the Caribbean, South America, even Europe. That such a development would serve the cause of interdependence cannot be doubted. American participation is already a guarantee of its international character. Russian support would strengthen it still more. At the same time it would create a vast new field for British influence and British ideas. As a nation, the British are mature. They have reached high standards of technical and organised efficiency. Their industry has developed beyond the stage of mass production of cheap textiles and cheap

goods for export. They have to learn how to make the most of this maturity. Whereas they used to export business men and traders, they must concentrate now on experts, on technicians, doctors and scientists, on skilled administrators, on people who combine Britain's great and humane traditions with the technical and scientific skill the century requires. The export of brains can be Britain's major export. In the field of industry, they must concentrate on complex and intricate manufactures—machine tools, new inventions, more complicated consumer goods. The work of the various Centres in industrialising backward regions and raising living standards everywhere could create new markets and ensure the economic success of the passage in Britain to a new industrial system based on high grade products and services. The prestige of a nation which developed its influence through sheer force

of intelligence and industry would outweigh any loss in actual political control. In a world in which Britain's physical power is relatively small, it has need of friends and neighbours, not servants and dependencies.

Britain has not only the most urgent interest in using the methods exemplified in the MESC to further international co-operation. It also has the best practical experience of how they work. If the functional approach to the problem of pooling sovereignty is the best and most efficient approach, Britain would be failing itself and the world if it neglected any opportunity of using this new technique. The pooling of sovereignty, the transfer of power to a world authority, is the ultimate problem of international society. Every technique, every new approach, every suasion that advances the nations in that direction must be exploited to the full.

Commonwealth or Empire?

"SOME people," said Mr Churchill, in his speech after receiving the freedom of the City of London, "like the word Commonwealth; others, and I am one of them, are not at all ashamed of the word Empire. But why should we not have both?"

Why not? In a recent address, Mr Amery defined the word Empire as a term descriptive of the sum total of self-governing states, dependencies, colonies, protectorates and so on comprised within the British polity. Commonwealth, on the other hand, he defined as the political system constituted by the mutual relationship of its autonomous members. But, he went on to say,

We may rightly use the word Commonwealth when we wish to emphasise the idea of free co-operation between its members or to convey our purpose that with the development of self-governing institutions in every part, the terms Empire and Commonwealth shall become completely synonymous.

The fact is, however, that to critics of the British Empire, especially American critics, the two terms are not interchangeable. To them, Commonwealth stands for the United Kingdom and the self-governing Dominions, whereas Empire is given a bad connotation—it stands for capitalist exploitation of colonial peoples, for the wish for territorial aggrandisement, for the determination that "what we have we hold."

To anyone who has studied the recent history of the British colonial empire, this definition of British imperialism is a clear travesty of the facts. Instances of exploitation cannot be denied, but the most obvious faults have not been the British people's possessiveness, but their apathy and indifference towards their colonial possessions. So far have they been from wanting to make money out of the colonies that it has not even occurred to them that the colonies could be profit-making concerns, with the result that they have not bothered to see that colonial resources were being properly developed.

The consequences of this indifference are well known. Even before the war, the sporadic labour troubles that burst out in many of the colonies, and the reports of committees that inquired into their cause, had revealed the poverty, squalor, disease and illiteracy into which each new generation of colonial peoples was born. If the war had not broken out and swept the colonies into its orbit, if the richest of them had not been lost to another power, it is still probable that the British people would at last have been stirred into a greater interest and into an awakening to their responsibilities. As it is, there probably never was a time when so much interest was taken in the colonies and when so many official statements of colonial policy were made. Rightly, official exponents have stressed the evolutionary nature of British colonial rule; principles recently laid down for the advancement of the colonies have, they would claim, been accepted by colonial officials for many years and acted upon. Nevertheless, the new emphasis which they have been given in the last two or three years and the urgency with which they have been put forward will enable future historians of the colonial

empire to look upon this period as the rebirth of British colonial rule.

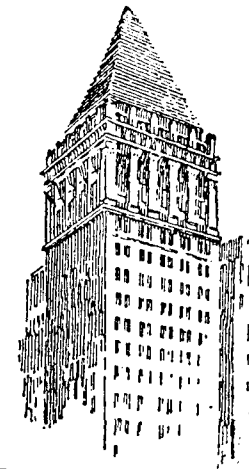
What are the lines on which it is likely to develop after the war? It is not difficult to see the broad trends because official declarations have been unusually explicit, and in one important respect have been embodied in an Act of Parliament. The Colonial Development and Welfare Act, passed in the darkest days of the war, established the entirely new principle that the colonies could be given financial assistance from the Imperial Exchequer without making themselves subject to the control associated with grants-in-aid. The old vicious circle, which meant that a poor colony was unable to undertake the reforms that alone could increase its wealth and thereby help itself towards political independence, has been broken. It is now possible for a colony to receive financial help without losing its political status. Economic development and political progress can go hand in hand.

The Ultimate Goal

It is well that the significance of the Colonial Development and Welfare Act should be known, for there is in some quarters a tendency to see in it a reversal of British policy, the concentration, in the future, on the economic development of the colonies, on making them self-supporting and prosperous rather than on making them independent. It is quite true that, in practice, the most outstanding advances in the colonies in the years after the war will probably be in the economic sphere rather than the political. Years of neglect have to be made up, in addition to the launching of the proposed reforms—the improvement of communications, the rehabilitation of colonial agriculture and the establishment of secondary industries. At the present time, the economic defects of colonial life are far more glaring than the political ones; a drive to raise colonial standards of living can begin at once, whereas for many colonies political independence is still impracticable.

Nevertheless, throughout all official declarations on colonial policy in the war years has run the principle that colonial development is not an end in itself, but a means to the establishment of political independence. They have not argued: "The colonies are poor, backward and undeveloped. Let us remedy this, and stop talking about the vote when we have not given them bread." They have said: "The colonies cannot achieve self-government so long as they are poor, backward and undeveloped. Let us remedy this in order to hasten on the day when they can be given the vote." Thus, the economic development of the colonies will be conditioned by the need to achieve an even more important goal.

The post-war years, therefore, will not see an abandonment of political reforms in the colonial empire. Far from it, for during the war the Government has already pledged itself to constitutional reforms in several of the dependencies. The thirties were a period of constitutional setbacks rather than of progress. New-



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.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

(Incorporated with Limited Liability under the Laws of the U.S.A.)

Head Office: PINE STREET CORNER OF NASSAU, NEW YORK

West End Branch:
51 BERKELEY SQUARE, W.1

Bush House Branch:
ALDWYCH, W.C.2

Main London Branch:

also

The Chase National Executors & Trustees Corporation Ltd.

6 LOMBARD STREET, E.C.3



Guaranty Trust Company of New York

11 Birchin Lane E.C.3

(Entrance through 67 Lombard Street)

Bush House W.C.2

Liverpool Representative:

31 Cotton Exchange Buildings Liverpool

HEAD OFFICE

140 BROADWAY · NEW YORK

Total Resources exceed

\$3,000,000,000

Incorporated with limited liability in the State of New York U.S.A.



FOUNDED 1812

THE NATIONAL CITY BANK OF NEW YORK

Incorporated with limited liability under the National Bank Act of the U.S.A.

Head Office:

55, Wall Street, New York

London Branches:

117, Old Broad Street
11, Waterloo Place

Overseas Division

Branches and Correspondent Banks in Every
Commercially Important City of the World

THE
ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability

Assets exceed \$1,400,000,000

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

CANADA

Canada promises vast possibilities for development. Her wealth of raw materials, her labour supply, water power and markets truly make Canada a land of opportunity for post-war industrial expansion.

Enquiries welcomed by

BANK OF MONTREAL

Main London Office:

47 Threadneedle St., E.C.2

ASSETS EXCEED \$1,250,000,000

Incorporated in Canada in 1817 with Limited Liability.



Here is post-war opportunity! Here is the land of tomorrow! Over 1,500,000 square miles of largely undeveloped resources—minerals, timber, oil—served by modern C.P.A. planes. Information from Canadian Pacific, 62 Trafalgar Square, London, W.C.2, or Head Office, Montreal.



Canadian Pacific
AIR LINES

THE *Wings* OF
THE WORLD'S GREATEST TRAVEL SYSTEM

THE
BANK OF NOVA SCOTIA

(Incorporated in Canada in 1832 with Limited Liability)

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 inquiries to—

LONDON BRANCH: 108, OLD BROAD STREET, E.C.2
E. C. MACLEOD, Manager

R. A. ELDER, Assistant Manager

foundland lost its Dominion status; Cyprus lost its Legislative Council; Malta lost responsible government in internal affairs. Only in Ceylon did the people march, through trial and error, to a higher political status. During the war, however, throughout the colonial empire there has been a cry for more independence, for the right of colonial peoples to manage their own affairs. Promises of full responsible government in internal affairs have been given to Ceylon and Malta; a new constitution, limited though it was, has been given to Trinidad; Jamaica is in process of receiving one, based on universal adult suffrage, though with powers of certification and veto still left in the Governor's hands; the franchise in British Guiana and Trinidad is under review. It can hardly be doubted that after the war the grant of new constitutions, giving more independence to the people of the colonies, will spread.

There is, it is true, a danger in a too rapid constitutional advance. Before it is granted, the British Government has to make sure who exactly will benefit from it—the mass of the people or a few who have managed to raise themselves in wealth and importance above the level of their fellows, the native population or a handful of European settlers? Can it be said that the grant of responsible government to Southern Rhodesia, even with the proviso that legislation affecting native affairs must have the consent of the Dominions Office, has been to the entire advantage of the native majority in that territory? On both political and economic grounds, amalgamation of colonial dependencies into larger units is desirable; yet, how can this be achieved when it means surrendering the position of trustee for backward peoples to a small European minority?

The Communal Problem

It can be argued that this happened in the Dominions; and as Professor Hancock, the shrewdest observer of the current history of the British Empire, shows,* after a bitter initial struggle Maoris and white men found a common loyalty as New Zealanders. French and British, in spite of acute political differences, both call themselves Canadians. Even in South Africa, where Dominion status has been marked by considerable discrimination against the natives, he sees the stirrings of a more liberal attitude. Communal problems need not be insuperable obstacles to political progress. But until they have been overcome, it may well be that for the many it is better to remain in the Empire than to join the Commonwealth.

The communal problem is not the only problem which will inhibit colonial policy in the post-war years. Even though the one aim, consistently pursued, is political

* "Argument of Empire," by W. K. Hancock. Penguin Books, Ltd. 9d.

freedom, towards which economic development is directed, there will still be the danger that the means will tend to overshadow the end. The Colonial Office has to steer a course between doing too much—and not allowing the colonial peoples to do enough—and doing too little—and keeping them perpetually backward. Criticism of official policy tends, in fact, to be two-faced. On the one hand, it is criticised for neglect and *laissez faire*; on the other, it is criticised for not allowing the people of the territories concerned to manage their own affairs.

The official answer to this problem is in the British tradition of compromise. What its policy aims at promoting is self-help. There are to be no grandiose schemes forced on the colonial peoples without their consent, even though to the outsider these may be clearly to their great advantage. Economic development is to be pursued in the same spirit as that in which indirect rule was originally adopted. The colonial peoples, especially the vast majority who are still in a primitive state, are to be led towards a higher standard of living, not driven. Reforms are to be based on individual peculiarities and adapted to them. Similarly, social welfare—education, the health services and so on—is to be based on training the colonial peoples to manage them themselves. The Central Medical School at Fiji, which provides a training for native doctors and nurses from many of the Pacific islands, is an outstanding example of what can be done to promote self-help. Achimota College, in the Gold Coast, and especially the proposed Institute of West African Arts, Industries and Social Science to be associated with it, is another. The report of the Stockdale Commission in the West Indies is permeated with the principle that all progress must be based on the people themselves.

The danger of this admittedly right compromise is that its execution takes time, whereas what is wanted is speed—if only because otherwise the demand for political freedom may gather such force that it has to be granted before the educational and economic basis for it is established. Perhaps the greatest problem of all which colonial policy will have to solve in the post-war years is to find the right tempo for colonial development. Time-schedules, as Mr Willkie once urged them, will not always be appropriate. But, as Professor Hancock pleads, where they can be used—say, for completing soil erosion works or providing full educational facilities—they should be. The tempo should be set by the needs and idiosyncrasies of the colonial peoples, not by the procrastinations and hesitations of official policy. Only if the Colonial Office shows unwavering determination can the British "purpose that... the terms Empire and Commonwealth shall become completely synonymous" be made plain to the whole world.

Constructive Trade Unionism

"MEN who are ready to render up their private liberties to the despotic rulers of trade unions seem scarcely independent enough to exercise political liberties." Thus *The Economist* wrote in 1860. At that time, the agitation that culminated in the Reform Act of 1867 was at its height; the trade unions were weak and struggling; they had not even formed their trade union congress; they were without legal protection and were striving to reduce their long working hours and raise their wages. The idea of denying men political liberties because they combined for better economic conditions seems incredible to-day, when the trade unions have not only become "respectable," but an integral part of the body politic. Nevertheless, it is true in 1943, as it was in 1860, that there are dangers in restrictive practices and bureaucratic administration, and the trade union movement to-day must guard against a weakening of its democratic basis and the hardening of a bureaucratic crust at the top. It must see that its great strength and influence are

used for the benefit of the whole community. The 1943 Trades Union Congress, held at a time when the prospects for peace are no longer remote, but tangible, will provide an opportunity for the unions to take stock of their present position and to plan the part which they are to play in the shaping of post-war society.

Wartime Developments

The present war, like the 1914-1918 war, has seen tremendous advances in trade union organisation. There are now more trade unionists in Britain than at any time in history. Many of the new members are women, who have flocked into the munition industries, and whose recruitment is regarded by the unions as vital, not only in the interests of the women themselves, but in order to safeguard the future standards of the men whom they have replaced. Since the war, trade unionism has spread to hitherto relatively unorganised sections, such as the

motor and radio industries, and it has developed rapidly among professional and non-manual workers. The area of collective bargaining has been greatly extended and the standards of the lower-paid workers raised. Joint industrial councils have been set up in such trades as distribution, and the creation of a wages board for catering workers has paved the way for improved organisation in an occupation which, by its very nature, tends to produce isolation. At the same time, the responsibilities of the unions in every sphere, and at every level, of the war effort have widened. With trade union co-operation and under the direction of a powerful trade union leader, the task of mobilising the nation's manpower for total war has, on balance, been accomplished smoothly and efficiently.

The growth in their strength and status has inevitably stimulated the unions to seek a greater measure of consolidation. The present structure, dominated by a few giants on the one hand and with a multiplicity of small unions covering the workers in a single industry, on the other, is altogether anarchic and out of keeping with modern methods of production. The last war brought about a spate of amalgamations—it saw the formation of the Transport and General Workers' Union and of the Amalgamated Engineering Union—and the same trends are evident to-day. Many individual unions have been pressing the General Council of the TUC to take steps to promote closer unity between the various unions and to avoid overlapping and competition, and a number have already taken steps in this direction. The National Union of Railwaymen, the Associated Society of Locomotive Engineers and Firemen and the Railway Clerks' Association, after presenting a joint wage claim, have set up a committee to "secure the maximum unity of purpose on matters of common interest to the three unions." The Amalgamated Engineering Union recently joined with other unions catering for engineering workers in demanding wage increases, and discussions about amalgamation have been proceeding. The miners decided in 1942 to set up "one big union," in place of their present loosely organised federation, and a draft constitution for the National Mineworkers' Union is now being discussed by the district associations. In many other trades, covered by different unions, such as printing, furniture making and foundry work, the unions have either set up joint committees or are forming federations or amalgamations.

These tendencies are natural and healthy. Greater unification in the trade union structure, whether on the lines of industrial unionism or of federation, may assist in breaking down sectionalism—with its bugbear of jurisdictional disputes—and it should certainly increase the effectiveness of collective bargaining. It does, of course, present numerous difficulties and drawbacks. The different unions have varying resources, rules and rates of contribution, and opposition is bound to be encountered from the smaller bodies, whose officials might find themselves displaced or relegated to minor posts in the hierarchy. But similar difficulties were overcome when amalgamations took place after the last war. There is perhaps more justification for the fear that amalgamation might lead to increased bureaucracy. But this danger can also be averted. The size of the Amalgamated Engineering Union has not impaired its democratic basis. One method of preserving the maximum amount of democracy would be for the unions to encourage devolution on a district basis, through local trades councils or through such bodies as the wartime union district production committees, and to strengthen their local branches and workshop organisations. By and large, the advantages of unification far outweigh the disadvantages.

It seems certain that the trade union movement will find itself in an extremely powerful position at the end of the war. From the point of view of the unions themselves, the problem will be how to preserve their forces and prevent them from being dispersed, as they were after 1921. From the point of view of the community as a whole, the question will be whether the unions' favourable position will be turned to the best advantage of the nation.

No hard and fast line can be drawn between the short-

term and long-term post-war period. The end of hostilities will bring forward problems of demobilisation and re-instatement, and the transition period, whether short or long, will assuredly be critical. The long-term objective will be to prevent the post-war boom, that seems inevitable, from degenerating into slump, and to maintain a stable and high level of employment. Both for easing the transition period and for fulfilling the aim of full employment, mobility and flexibility of labour will be an essential condition. The war has accelerated the introduction of mechanisation and mass production methods in industry, even in such a traditionally craft employment as ship-building, and if skilled processes are broken down into component parts they can be performed by less skilled labour. Such developments are bound to be intensified in the post-war period; revolutions in technique and the development of new industries may render pre-war methods obsolete and blur the old boundaries between different trades. If increased social security brings about higher standards of living, consumer demand will become more exacting and more fluctuating, and the industrialisation of backward countries may change the character of the export trades. Britain can neither satisfy the new needs nor compete with other countries which enjoy greater natural advantages, if its economic system remains rigid. For this reason, it is essential that obstacles to flexibility, such as are presented by craft demarcations and restrictions on labour movements, should be removed.

Outlines of a Bargain

The question of the re-training and re-settlement of the unemployed is closely related to that of flexibility. Labour has accepted the Beveridge proposal that unemployment benefit should be conditional upon work or training, after a limited period of unemployment, though it stipulates, quite properly, that there must be adequate safeguards against arbitrary decisions. The TUC is in favour of training centres for unemployed juveniles and training facilities for adult workers during industrial depressions. But in the past, the unions have deprecated the idea of compulsory training for the unemployed, and it is vital that the conditions upon which they would accept re-training should be clearly and promptly defined. There will also have to be agreement about entry into trades, apprenticeship and training of juveniles. The schemes which have been drawn up for the building, mining and cotton industries might serve as a model for other industries. A measure which has proved indispensable under conditions of wartime full employment is that of direction to work. Mr Bevin suggested at the miners' conference that the trade union movement might well consider the advisability of retaining some measure of direction after the war. Though direction to work might appear to restrict the individual's freedom of choice and movement, yet the worker who has been displaced through technical developments, or shifts in the balance of industry, would stand to gain, and not to lose, by being sent to a place where work was available or where prospects for employment were good. Indeed, if there is to be national planning for the location of industry and the utilisation of all productive resources, some such form of direction of labour would seem essential. The General Council of the TUC in its report for the 1943 Congress recognises that it would be impossible to maintain control over a wide range of economic and industrial activity "without imposing some measure of control over labour itself."

If the trade unions are ready to accept modifications in their practices, and other measures that would make for greater flexibility of labour, they will be entitled to expect a *quid pro quo*. In wartime, the unions have given up many traditional rights and liberties. They have agreed to submit their disputes to arbitration, although in practice the workers' side of the compact has not always been observed, and they have allowed the dilution of labour in war industries. At the same time, labour has acquired many benefits. Mr Bevin has consistently argued that these benefits have been as great as, if not greater than, the restraints which have been imposed, and that

JONATHAN CAPE



DUFF COOPER
DAVID

This study of a heroic character curiously blends the functions of the historian, the psychologist, the commentator and special correspondent. For Mr. Duff Cooper relates events as if he had witnessed them, and explains them as if he knew just what the unspoken thoughts of the actors were. The method is eminently successful. The figure of King David is seen in the round; life is breathed into the statue, and the scene wherein it is set is made actual to the mind's eye. DAILY TELEGRAPH [10s 6d net]

SIR JOHN T. PRATT
WAR AND POLITICS IN CHINA

This is a didactic work, written as all such books if worth their salt must be, lucidly and trenchantly. Some such books are also written dogmatically, as this one is. Its avowed purpose is to correct the errors of other writers, and to attempt a new interpretation of the principal events in China's relations with the modern world. THE SPECTATOR [12s 6d net]

HAN SUYIN
DESTINATION CHUNGKING

Han Suyin writes beautifully and is an acute observer. . . . If this book is typical of the young generation now growing up in China, and I believe it is, it augurs well for the future of that great country. It shows the Chinese not as "inscrutable orientals," but as people like ourselves, with the same human hopes and aspirations. An extremely valuable piece of work, and with considerable literary merit. TIME AND TIDE [12s 6d net]

J. H. TAYLOR
GOLF: MY LIFE'S WORK

No man arrives at the position of being a first-class professional at any game without having remarkable qualities, but it is rarely that a championship player adds to these the capacity to write well about his experiences, but Mr. Taylor is one of these rare exceptions. . . . Not only golfers will enjoy this book, which they cannot afford to miss, but all who have ever been true amateurs of any game will find delight as well as instruction in it. THE SPECTATOR [12s 6d net]

MODERN BANKING

By R. S. SAYERS
12/6 net

"This is by far the best book on the theoretical aspects of banking that has appeared for some time."—Banker

"A book of high quality, which is as stimulating as it is informative. Attractively written, it will enable the student to trace the main outlines of modern currency and banking, in both theory and practice, unblurred by details of bank routine or commercial history."—Economist

THE SOCIAL FRAMEWORK

By J. R. HICKS
7/6 net

"An introduction to economics written by an economist of the highest calibre. . . . 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

Oxford University Press

MACMILLAN★
CONGRATULATES *The ECONOMIST*
ON THEIR CENTENARY!

Two Important New Books

Economic Reconstruction

J. R. BELLERBY

"Mr. Bellerby and his associates have aimed at thorough treatment of the subjects of national, industrial and regional planning. . . . The book is both a statement of principles and something of a blue-print for carrying them out. . . . this interesting and detailed study."—Times Literary Supp. 21/-

Wealth for Welfare

H. W. FOSTER & E. V. BACON

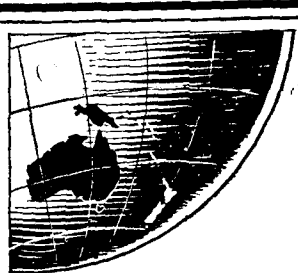
A plea for Imperial development, showing how Great Britain could start a process of betterment of the whole economic structure—and give a lead to the world.

"The authors have clearly a first-hand knowledge of many of the colonies, and the great merit of their book is that they have thought large."—Economist 12/6

★ To celebrate their Centenary, which falls this year, Macmillan & Co. are offering literary awards (value £2,000 or \$10,000), to members of the British and American Forces, for literary material ready for publication or not yet completed owing to the war. Write for details to Macmillan & Co., Ltd., St. Martin's Street, W.C.2.

As publishers to
THE NATIONAL INSTITUTE OF
ECONOMIC AND SOCIAL RESEARCH
the
Cambridge
University Press
takes
particular pleasure
in congratulating
THE ECONOMIST
upon the contribution
which it has made to
economic thought
during 100 years

Economic and Social Studies Nos. 1-3. Now ready.
Occasional Papers Nos. 1-5. Now ready.
Particulars on application to the
CAMBRIDGE UNIVERSITY PRESS
200, Euston Road, N.W.1.



Make contact now!

Australasia is 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

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
Total	£13,500,000

Court of Directors:
D. F. ANDERSON, Esq.
HON. GEOFFREY C. GIBBS.
JOHN 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.

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.

G. C. COWAN, Manager.

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.
THE RT. HON. LORD ALDENHAM.
SIR CLIVE BAILLIEU, K.B.E., C.M.G.
THE RT. HON. LORD HUNTINGFIELD, K.C.M.G.
E. M. JANION, Esq.
SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., C.B.E.
M.C., M.P.
SIR FREDERICK W. YOUNG

London Manager & Secretary—J. A. CALEZY.
Sub-Manager—R. J. ALLEN. Accountants—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.

CABLE AND WIRELESS LTD.

A CENTURY OF PUBLIC SERVICE

Today, the 'ECONOMIST' celebrates its centenary—a hundred years of enlightened opinion on national affairs. CABLE & WIRELESS LTD. wish to join with its great public of appreciative readers in offering greetings and congratulations.

One hundred years ago the people of two hemispheres were discussing a miraculous new invention—the electric telegraph. The claims made for it seemed incredible: the still greater marvels of submarine cable and of wireless were undreamed of. Little did our ancestors foresee that one day messages would flash round the globe, making neighbours of the farthest nation and altering the whole conception of world trade.

In the history of modern communications CABLE & WIRELESS LTD. have played a predominant part. Now, in the midst of war, they are carrying on the greatest volume of traffic in telegraph history.

CABLE AND WIRELESS LTD.
The only British owned and operated Overseas Telegraph Company in this country

if they are to be continued after the war, labour should accept continued responsibilities. The Miners' Federation have suggested that such wartime legislation and regulation as has proved beneficial to the workers might be retained in the future. Among these benefits may be counted the guaranteed working week, the enforcement of minimum trade union rates, the provision of works canteens and the numerous measures to promote industrial health and welfare. The Essential Work Order has been a wartime necessity. Though it imposes restrictions, it provides security of employment which could be a long-term advantage to labour. The unions will undoubtedly formulate many other demands, and some of these have already been indicated. One is the claim for shorter working hours and the introduction of the 40-hour week. Though the exact length of the working week cannot be determined in advance, it is clearly desirable to aim at a better balance between work and leisure, harnessing the powers of science to make both more congenial; the extension of holidays with pay and the provision of more facilities for recreation should help in this direction. Nearly every union in the country has recently been pressing for increased wages and some are already seeking the consolidation of their war advances in a permanent wage structure. The principle of "equal pay for equal work" as between the sexes has been widely accepted, in theory, since the war, and the unions are quite right in insisting upon its application both now and after the war. The trade unions will probably also ask for legal recognition, on the lines of the Wagner Act in the United States, which obliges employers to recognise the union approved by their workers. The closed shop could not be tolerated if its effects were restrictive, but if adopted on the broadest possible basis—a nation-wide closed shop—it might assist in developing flexibility. Quite apart from specific demands of this character, the unions are united in their desire for better social and economic conditions, better housing, education, health and social security for the working population—objectives which command a wide measure of agreement throughout the country.

In essence, the outlines of a post-war bargain are fairly clear. If, on the one hand, labour receives agreed national minimum wage rates, the guaranteed working week wherever it is practicable, legal recognition and the

nation-wide closed shop—its other demands cannot necessarily be determined in advance—then, on the other hand, it should be prepared to accept the removal of obstacles to mobility, in particular to the retraining of the unemployed, and the principle of direction to work. It is certain also that the unions will claim a far greater share in the control of industry than before the war. One of the objects of the TUC is "proper provision for the adequate participation of the workers in the control and management of public services and industries." In wartime, provision has been made for joint consultative machinery at the top and, however limited, at the factory level. It is impossible to foretell what form of machinery will emerge after the war, but it is safe to assume that the interest which the workpeople are taking in matters of production will be a factor of importance in future industrial relations; as Sir Stafford Cripps has said, it may provide the kernel of future industrial democracy. In return, employers might well consider extending the principle of profit-sharing, which has hitherto only been tried out by a few firms, but which seems the logical corollary of increased workers' participation in management.

In practice, of course, the operation of any such bargain may be difficult. The controversy that has arisen over the Trade Disputes Act is an indication of some of the hurdles that will have to be surmounted. One final word of warning, moreover, must be given. Whatever form of industrial organisation may emerge after the war, it is essential that it should provide complete and effective safeguards against the development of any tendency for employers' and workers' organisations, planning and acting in concert, to enforce restrictive policies against the consumer and the community. There are signs that some industrialists and trade union leaders are thinking in terms of an alignment which might have just this effect. It is all to the good that there should be joint planning, but such plans must allow for ample protection of the ordinary consumer's interests. "Self-government" in industry is, basically, only another name for corporatism. "Democracy" in industry is altogether a different, and more attractive, proposition. The trade unions have an inescapable responsibility for determining the path along which they will travel.

The Standard of Living

ON July 6, 1940, the people of this country were expecting, with some sense of unreality, the call to fight against the invader on the landing grounds and beaches. On September 7th in the same year the bombardment of London by night began, after the Luftwaffe had been soundly beaten by day in the Battle of Britain. Yet it was on these two dates three years ago, when mortal danger was closer to this island than ever before or since, that two articles appeared in *The Economist*—"The Minimum" on July 6th and "The Standard of Living" on September 7th—expounding the thesis that "the time has come for the State to guarantee to every individual a sufficient quantity of food, clothing, shelter and the acknowledged necessities of life." There was nothing specially original about the argument of *The Economist*, which simply acted, in this matter, as the general practitioner of the ideas that were current on the subject at that time. Some persons have professed themselves shocked that the more limited proposal of the Beveridge Report—that all citizens should receive a guaranteed minimum money income in all the contingencies of life and work—should have been put forward in wartime. They would perhaps do well to reflect on the fact that it was in 1940, during the nation's "finest hour," that the objective of physical security for all British families became an explicit part of the generality of political and economic thinking. It is the purpose of this article to restate, in a form less confined in its application

to the siege conditions of total war, that argument of 1940 for a National Minimum; to emphasise that to be effective, the Minimum should be conceived in terms of goods and services as well as of money incomes; and to suggest, in addition, that so far from being a repudiation of individual responsibility and initiative, the guarantee of a minimal standard of life for everybody is a necessary condition for the maximum of enterprise among the people, and carries with it the universal obligation upon all citizens and their associations to be enterprising.

Any political party which omits social security, as it has come, not too happily, to be called, from its post-war agenda will start at a grave disadvantage. This is not attributable to any greed for gain on the part of the mass of the electorate, but to the belief, reinforced by expert opinion, that it is now possible as well as desirable to put a bottom into the social structure without impairing the national income or diminishing the national wealth. It is not a question of extra outlay or expense, but simply of guiding national expenditure in the most needed direction; of distributing family incomes so that none falls at any time below a set level; and of ensuring that the goods and services needed for a decent subsistence are available to every family in the required quantities and at prices which the minimum family income can cover. In wartime the problem is chiefly one of supply: the mobilisation of resources to furnish the sinews of war involves a deliberate curtailment of the goods and services available

for civilian purchase, and the corollary of this process is the fair distribution of the limited stocks available by rationing, price control and utility manufacture, together with a scaling-up of the lowest incomes by the increase of minimum wages and social service payments to enable the poorest families to take up their share. In peacetime the problem will be, as it was before the war, rather one of demand. The total stock of goods and services will be ample to meet the minimum needs of every family, with a considerable margin to spare; there will be no guarantee that every family will in fact be in a position to purchase its basic requirements. Social security, in the sense in which the phrase is now used, means the provision of this guarantee.

There is, of course, nothing revolutionary about this proposal; and its implementation by one means or another must be taken for granted in post-war politics. Ever since the institution of the Elizabethan poor law, it has been the accepted responsibility of society, as it formerly had been of Christian charity and the gilds, to prevent actual death by starvation, however crudely, callously and imperfectly the obligation may often have been discharged. In the twentieth century the obligation has been translated into a ramified system of public provision and social insurance, supplemented by the establishment of minimum wages through collective bargaining or trade board machinery and by the mutual activities of voluntary associations and private charity. The demand now is simply that the existing piecemeal apparatus for preventing utter destitution should be made comprehensive and universally effective; that the complete prevention of all avoidable want should be made the specific aim and guaranteed consequence of public policy.

The Prevention of Want

The pre-war provision was insufficient. Neither casual and itinerant workers nor the independent middle class nor the families and dependents of insured workers were covered by social insurance. Insurance benefits and assistance payments were in many cases appreciably below the bare minimum income reckoned indispensable by expert researchers; and even the inadequate cash sums received by the sick and disabled were considerably more satisfactory than the treatment they were given to restore them to full health and fitness. Cash provision was, and is, of three kinds: pensions to old people, widows, orphans, the sick and the disabled; allowances to the long-unemployed and the destitute; and insurance against illness, accidents and unemployment. Provision in kind took the form of free education, health services, housing subsidies, and cheap or free food for schoolchildren. But too many people were too near the borderline of insecurity and destitution; and the diet of something like half the population was regarded by experts as nutritionally insufficient. Nor was this state of affairs simply the consequence of ill-health and unemployment. It rather reflected a distribution of incomes that was inadequate in all its lowest ranges to meet family requirements; and it registered the fact that the wages of workers are based, as they must be, not upon their needs or the size of their families, but upon the supply of and demand for their services and the greatly varying bargaining power of their trade unions.

There are several parts therefore to the prevention of want: the insurance of every citizen against every contingency over which he, individually, can have no control; the raising of all benefits and payments to subsistence level and the incorporation in their assessment of the needs of families and dependants; the introduction of children's allowances; the provision, above all, as Sir William Beveridge has urged in his famous "assumptions," of positive ways and means to prevent both unemployment and ill-health and to succour the sufferers from these two basic misfortunes by training, transfer, treatment and rehabilitation; the guarantee, in good times and in bad, of minimum money incomes by a combination of comprehensive insurance, children's allowances and adequate minimum wages; and the assurance of a sufficiently ample and sufficiently cheap supply of the necessities of life so that minimum incomes may actually cover minimum

needs. To do all this is to travel farther along a well-trodden road; the only new element will be the will and determination to prevent want entirely.

It is not true to say that the nation cannot afford to adopt the policy of a Minimum. The standard of living of a community is dependent on the size of its national income; and the standard of living of a class is dependent on the way in which the national income is distributed. It is obviously possible for a community to decide, as a first charge upon its social and economic arrangements, that a given proportion of its income shall go to its poorest members in order to assure to them a minimum standard of life. When the problem of fixing the size of the Minimum comes up, however, there is room for debate; the question of what can be afforded arises in two ways, absolutely and relatively to other claims. Obviously, it would be sheer fantasy to attempt to provide every family with, say, the equivalent in real terms of £1,000 a year at current prices; the real national income is, and will be, much too small. But if the material means are available to provide the goods and services required to reach a more modest goal, say, the 40s. a week for man and wife and 56s. for a family of four proposed by Sir William Beveridge, then the question becomes one of choice, not of practicability. In money terms the issue is the amount by which the maximum incomes of classes above the minimum, and the funds available for non-consumption purposes, will require to be reduced to implement the guarantee; in this instance there is little doubt that the Beveridge scale, or its equivalent at the prices of that time, could have been introduced in, say, 1938 with no appreciable disturbance to the social structure or to the balance between investment and consumption, and no doubt that it will be possible to introduce it after the war, when the national income, in real as well as money terms, should be appreciably higher than it was five years ago.

For Services Rendered

Thus the practicability and size of the Minimum depend, first, on economics and, secondly, on politics. The crucial point, economically, is that the larger the national income and the lower the level of unemployment, the higher the guaranteed standard of living of the poorest classes can be—with the minimum of political conflict. The quite fatal thing would be if the establishment of a National Minimum were to impede the expansion of the real national income, by causing the curtailment of necessary investment, or to obstruct the policy of full employment, by reducing individual enterprise or diminishing the inclination of individuals to change their occupation and places of work. It is, of course, absurd to suggest that the guarantee of 40s. a week to a man and his wife is likely to make him cease to toil or spin, provided work is available for him; but the institution of a minimum standard of living does carry with it the plain obligation upon every citizen to display maximum efficiency, maximum productivity and maximum mobility. There is no more important post-war issue than the unreserved realisation of this by the trade unions—just as the policy of full employment depends upon the realisation by employers, as well as workpeople, that full employment means, not the maintenance of some particular distribution of employment at the highest possible level of activity, but the employment of all the nation's resources in the occupations which from time to time prove to be the most productive. The objective of social security is no more likely to impede economic progress than the objective of full employment, provided that, in each case, sectional interests are subordinated to the interests of the community and that certain specific and pressing duties are seen to be the correlations of the recognised right to "work or maintenance."

Mr Bevin has called the Beveridge proposals "ambulance" work. In an important sense he is right, though to say so is no disparagement, since ambulances are indispensable so long as accidents happen. The great hope of the future must be that social security, in the current sense, and the bolstering of national subsistence, national diet, national health and national fitness by *ad hoc* means

WILLIAMS DEACON'S BANK LTD.

FOUNDED 1771

Member of the London Bankers' Clearing House

Every description
of Banking business
transacted.

Principal London Offices:
20 BIRCHIN LANE, E.C.3 - 9 PALL MALL, S.W.1

Principal Manchester Offices:
MOSLEY STREET - ST. ANN STREET



Associated Banks:
The Royal Bank of Scotland & Glyn Mills & Co.



THE PERSONAL TOUCH IN BANKING

The banking facilities developed over two centuries by Glyn, Mills & Co. are comprehensive and world-wide. Our policy has always been to encourage personal contact with the principals of the organisations we serve, and to maintain the traditions of a private bank in the closest possible touch with the needs of its customers, their interests, and their ambitions.

GLYN, MILLS & CO.

HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks:
Royal Bank of Scotland - Williams Deacon's Bank, Limited

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

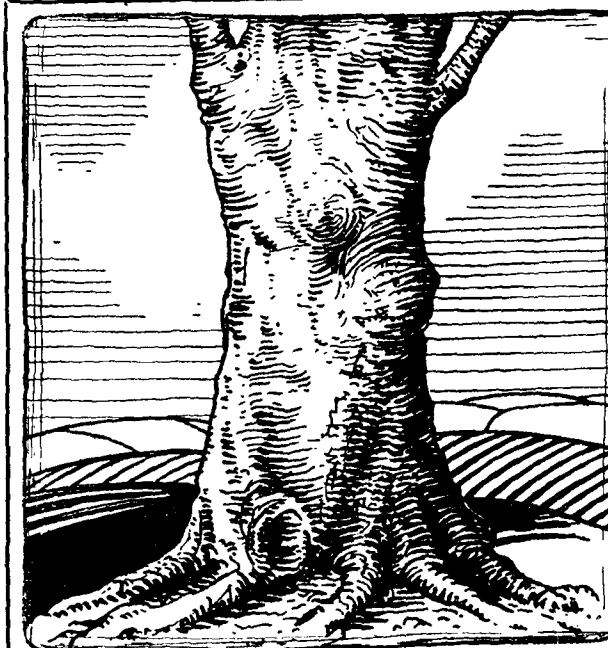
BRITISH GUIANA, BRITISH WEST INDIES

NEW YORK (Agency)

LONDON : MANCHESTER : LIVERPOOL

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

BARCLAYS BANK (CANADA),
MONTREAL and TORONTO.



Deep as the roots of the District Bank go, there would be no virtue in its age were it not still growing. The Bank is modern and efficient, with a tradition of service which only the work of more than a century could produce

DISTRICT BANK LIMITED

HEAD OFFICE - - SPRING GARDENS, MANCHESTER 2
PRINCIPAL LONDON OFFICE - - 75, CORNHILL, E.C.3
PRINCIPAL LIVERPOOL OFFICE - - 3, WATER STREET

may be rendered needless by a great and regular increase and diffusion of national wealth and prosperity. Full employment will bring more social security than social security itself. Meanwhile, within the present framework of social provision, extended to embrace a Minimum, it is upon prevention and cure, more even than on insurance and assistance, that the energies of the next generation should be focused: on work rather than on maintenance; on the prevention of accidents and the rehabilitation of

the disabled rather than on pensions; on the prevention and treatment of sickness rather than the care of the sick. "Ambulance" work there must be. Post-war Britain will demand and deserve a National Minimum and what is called social security. But it is only by a positive policy to master their material environment that the people of this country will eventually be able to establish and ensure a standard of life for all which will be worthy of their hopes and powers.

Why Nationalise?

THIS is a time when the economic structure of the country is, very properly, under review. The review will almost inevitably lead to a considerable extension of the field within which public policy has something to say about the conduct of industry and trade. So much is a matter of general agreement. But a wide section of public opinion goes further; whenever, in any particular industry, a *prima facie* case has been made out for some intervention of public policy, adherents of this school of thought plump automatically for nationalisation. To many people, in fact, economic reconstruction appears to mean little beyond the compiling of lists of industries to be nationalised. It is true that the public corporation, on the model of the London Passenger Transport Board, is now the fashion, and that public corporations, though they are managed by nominees of the community, still derive their capital from private purses. But for most practical purposes the definition of nationalisation can be stretched to cover this variant. And the new version shares with the old the characteristic that it is prescribed indiscriminately for all cases. It is a universal specific.

In these days only the most rabid reactionary is opposed, on principle, to Government intervention in economic affairs. But this indiscriminate advocacy of a single method has two dangers. First, it diverts attention to the mere mechanics of organisation, to pure constitution-mongering, and away from the real issue, which is the way in which the industry is to act. It pretends that Siéyès is the important figure and ignores Bonaparte. And, secondly, it fails to recognise that the conditions of different industries, and the reasons for which the state intervenes in them, are infinitely various.

The historical origins of the attitude are easy to identify. The socialist ideology has a very powerful emotional momentum in this country, and nationalisation lies at the very centre of it. It is not so long since the Labour Party professed as its policy "the nationalisation of all the means of production, distribution and exchange." The Labour Party no longer believes in this policy—at least, not in the lifetime of the present leaders—but it has never been formally abandoned, and though they

no longer believe in the nationalisation of *all* the means of economic life they still believe, by instinct, that nothing is real progress unless it involves the nationalisation of something, and that any other form of economic reorganisation is a temporary compromise with the forces of expediency. They believe this by instinct—and one strongly suspects that they have quite forgotten why.

Historically, the main basis for the policy of nationalisation was the desire to redistribute wealth. It is doubtful whether Karl Marx would have recognised any other reason as being more than very subsidiary. But nationalisation as advocated in this country is not in the slightest degree a redistributor of wealth—rather the contrary, for the compensation paid is always fair and often generous, and the capitalist whose income was formerly at the mercy of commercial risks becomes a pensioner of the state. There are other means of diminishing the inequality of wealth, which have been carried a long way and will doubtless be carried a long way further. But nationalisation (unless it also implies confiscation) is not among them, and anyone who advocates it on this score is deceiving himself.

Secondly, there is the plea of efficiency, the belief that the state can manage industry more efficiently than private managers. This may be true in some cases, either because the private managers in possession are unduly incompetent or because there is some obstruction to efficient management that only the state can remove. But, as a general proposition, the available evidence points in the other direction. Other things being equal, a nationalised industry can be expected to be less efficiently run than a privately managed one, partly because it cannot wholly evade the disadvantages of committee control and partly because it will inevitably be subject in greater or less degree to some sort of political pressure, from trade unions as well as from politicians.

Another reason frequently advanced for a policy of general nationalisation is that functions essential to the life of the community cannot properly be left in private hands. Since this is, in part at least, a moral issue, every-

one will have his own opinion on it. Some people are outraged by the fact that the functions of note issue and credit control are in private hands. But others—and they are probably the majority—feel that so long as these functions are properly performed there is no cause for intervention. The importance of an industry is an argument for saying that the state should know what is going on. It is not an argument for the state taking over the management unless that would lead to an improvement. And in many cases it would not. The management of merchant shipping, for example, is an activity of the highest importance, but one where there is every reason to believe that public management would be less efficient than private. It is precisely because shipping is important that it should not be nationalised.

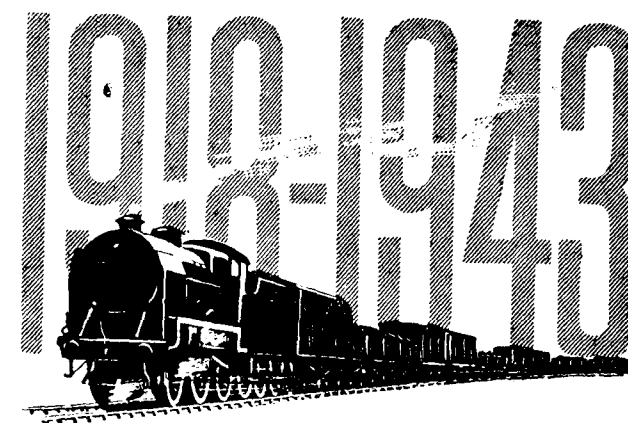
The monopoly argument is very similar. When an industry has been effectively monopolised by a single firm, the argument runs, it should be nationalised. But here again one would first wish to be satisfied that the industry, after nationalisation, would be run not merely differently but better than before. If the private monopoly is grasping and restrictive, the case for nationalisation is strong. If it is efficient and responsible the case is weak.

Different Behaviour

These examples are perhaps sufficient to illustrate what is the only real, though strangely ignored, argument for nationalisation. An industry should be nationalised when the community wants it to behave in a way substantially different from its behaviour under private management, and when the best way of securing this change is by buying the private owners out or by imposing public managers. For example, to nationalise the railways and then to leave them to operate substantially as they do now (which would certainly be the result of simple nationalisation) would be to take a great deal of trouble for no purpose. But if the state wished to carry through a complete change in the methods by which the community's transport costs are met, nationalisation of the railways might well form part of the scheme. Or again, nationalisation of the banks, if it simply meant the replacement of boards nominated by the shareholders by boards nominated by the Government, would have no practical result whatever. But if (to take an imaginary case) the state should decide that it would be an economy to pay no interest on the national debt held by the banks, and in return to meet their working losses, there might be a case for buying out their proprietors.

The "different way of behaving" that the state may wish to induce may take many forms. It may be, for example, that the industry is required to change its organisation in the interests of efficiency or of better relations with its workpeople. This is the case for the nationalisation of coal-mining. It may be that the industry is required to run at a loss, in the public interest. This was the case for the nationalisation of civil aviation, and it was suggested in a recent article in *The Economist* that the state, without intervening in the management of merchant shipping, should take over the risks and financial losses of supporting a long-term programme of merchant shipbuilding. It may be that, without running at a loss, the industry is required to forbear from taking a profit. This is, in part, the case for the nationalisation of land. It may be that the industry, without running at a loss, is required to sell its product more cheaply to some customers than to others. There may be a case on these lines, after the war, for continuing the virtual war-time nationalisation of the wholesale food trades.

These are only a few examples of the many different reasons that may exist for direct commercial intervention by the state in the processes of industry—for the appearance of the state as a public body, that is to say, as a trading principal, not merely as a supervisor or policeman. And since the reasons can be so various, and the circumstances of the industries to which they apply are so different it would obviously be folly to prescribe a single form of organisation. In some cases outright nationalisa-



ALWAYS READY!

IN the long armistice which followed the "cease fire" in 1918, British Railways instituted developments and improvements which could not have been more wisely planned had they known beyond doubt that hostilities would be resumed in 1939. Many millions of money were expended on widening tracks, improving signalling, removing bottlenecks and in a hundred and one other ways which gave the public the fine trains and high speeds prevail-

ing before the war. *The railways carried through these improvements during a period of acute depression when they were suffering grave loss year after year.*

Their courage and foresight have stood the Nation in good stead—for these years of intensive development have made it possible now for British Railways to carry smoothly and efficiently the vast burden of additional freight and passenger services so vital to the war effort.



BRITISH RAILWAYS

GWR · LMS · LNER · SR

Carrying the War Load

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

HEAD OFFICE: ST. ANDREW SQUARE, EDINBURGH.

Branches throughout Scotland.

LONDON OFFICES:

3 Bishopsgate, E.C.2.

49 Charing Cross, S.W.1.

Burlington Gardens, W.1.

64 New Bond Street, W.1.

8 West Smithfield, E.C.1.

TOTAL ASSETS - £108,171,956

ASSOCIATED BANKS—WILLIAMS DEACON'S BANK LTD. (Members of the London Bankers' Clearing House).
GLYN, MILLS & CO. (Members of the London Bankers' Clearing House).

tion would be appropriate, as with the BBC or British Overseas Airways Corporation, where the state owns and its nominees manage. In other cases the public corporation (private ownership and public management) will be the best method. In still others the opposite of the public corporation (public ownership and private management) will serve the purpose best. Shipping may well be one of these, with the state owning the ships (or some of them) and the shipping companies managing them. And in other cases there will doubtless be other forms of organisation. The only general principle should be that, since the state intervenes to secure a certain pattern of behaviour, the form of organisation should be such as will best accord with the desired behaviour.

The curious thing is that many of the advocates of nationalisation as a principle, so far from admitting the simple pragmatic argument advanced in this article, are at some pains to prevent nationalised industries from behaving in any different way from private concerns. Thus the "Statement on Employment Policy and the Organisation of Industry," recently issued by Nuffield College, in advocating public corporations for a number of important industries, stipulated that they should "consist mainly of persons with direct managerial, technical or other practical working experience of the industries or services concerned" and that they "should

in general be so managed as to cover costs, including a reasonable return on their real capital assets." If the public corporations are to be managed by the same sort of people and on the same principles as private industry, one is left wondering what purpose they are intended to serve. Indeed, one is left wondering why their advocates put them forward, unless it is out of piety to a principle learned in youth but the reason for which has been forgotten. It would be reasonable either to be bolder or more cautious; either to leave things as they are or to insist on a different sort of behaviour from the industries in question. To re-name the ship and change her captain without altering either her course or her speed would be a very curious procedure.

The danger is that so long as nationalisation is advocated on principle, without regard to the facts of each case, it will be resisted on principle—and the resisters have the powerful force of inertia on their side. The right attitude would seem to be to regard public ownership and public management as two of the perfectly respectable and permissible techniques of economic policy, to be neither supported nor condemned on principle. The less nationalisation is brought forward without a real reason the more possible it will be, where there is a reason, to exploit this method of economic organisation to the full limit of its potentialities.

Merchanting under Exchange Control

ALTHOUGH the debate on the future of the sterling exchange market has far from run its course it is impossible to ignore the strong current which is taking it in the direction of a more or less permanent form of official control. There is virtual unanimity about the necessity for carrying the control of sterling exchange, almost intact in its wartime rigour, into the immediate post-war period. But even beyond that, there are few who do not regard an indefinite prolongation of some form of exchange control—even if it is only on capital movements—as part of the permanent post-war financial system. The most manifest reason is the desire to ensure that the cause of exchange stability is not again threatened and defeated by panic movements of capital or by more sinister speculative operations. But behind this there is the fear that this country will suffer from a chronic shortage of dollars for a long time after the war. Moreover, there is the inescapable fact that Britain will emerge from the war a heavy debtor on short term to other countries. The main concern of the authorities, therefore, is that there should be continuing and strict control of capital movements.

For the rest, the prevailing view in high official quarters seems to be that a return to a free market would be desirable. The British Treasury's Clearing Union scheme suggests that merchants and traders should be allowed to operate freely and that the new mechanism of international clearings should interfere as little as possible with normal international banking operations. But this part of the Clearing Union scheme bears all the evidence of compromise. It does not explain how it proposes to make this clear and convenient distinction between what are capital transactions, which will be controlled, and the rest, which will be free. Any clean cut line of demarcation is very difficult to draw. There are obvious instances of each type of transaction, but there are almost innumerable operations where the white of the one and the black of the other merge into indefinable shades of grey. Moreover, the most obvious foreign trade operation can, by a simple twist, become a capital transaction—as, for example, when the proceeds of export sales are not repatriated. In any case, control over capital transactions demands some supervision of commercial operations, since there is no more practised way of evading regulations against the export of capital than by under-invoicing export goods sold to confederates in the country with the desired currency or with a free exchange market. If conditions after the war are such as to justify the maintenance of sterling

exchange control in respect of capital transactions, the trading community should reconcile itself to the prospect of keeping in being an extensive apparatus of supervision over current foreign trading transactions. It is desirable that this highly important fact be kept in mind when considering the future organisation of British foreign trade, for there are some systems that fit admirably into the pattern set by exchange control, others which could be adapted to its requirements, others, again, which would be quite incompatible with it.

State and Private Trading

State trading obviously falls into the first category. It seems to be the natural concomitant of exchange control. Since the trader and the controlling authority are in this case one and the same person, the customary restrictions of exchange control on the freedom and initiative of the trader do not apply. Exchange control is perfectly attuned to the activities of an enterprise such as the United Kingdom Commercial Corporation, whose pre-emptive and other operations are essentially political in character and largely divorced from the customary economic considerations of price and relative costs. If, after the war, it is desired to maintain the state's direct participation in foreign trade—as, for example in bulk buying of basic foodstuffs and other essential commodities—the maintenance of exchange control would serve a useful purpose by further increasing the odds against the rash individualist who might be tempted to enter these preserves and pit his merchanting skill against that of the authorities.

It is equally easy to visualise the kind of merchanting system which lies at the opposite pole—that which would wither and die under the ministrations of exchange control. It is the system represented by the free, highly sensitive and internationally organised markets which functioned in this country before the war. Examples will be readily found: the cotton and metal markets, the Baltic market in grains, the markets in rubber and in the hundred and one types of colonial produce which used to bring to a walk through the Mincing Lane and Eastcheap part of the City all the scents of a tropical adventure. Part of the trade handled by these markets represented the import of goods consumed in this country. Another part was *entrepôt* trade in produce which was re-exported after a brief sojourn in British warehouses. But to a very large extent the commodities that were dealt in never touched this country. It was trade between two overseas markets

ALLIANCE

ASSURANCE COMPANY, LTD.
OF BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

ASSETS EXCEED £35,000,000



INSURANCES OF ALL KINDS

LIFE (with and without Profits)—Estate Duty Policies—Family Protection—Children's Deferred Assurances and Educational Endowments—Annuities.

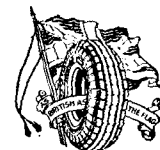
FIRE — MARINE — BURGLARY & THEFT
Accidents of all kinds — Motor Vehicles
The Company undertakes the duties of Executor and Trustee.

Head Office temporarily at

KIDBROOKE PARK, FOREST ROW, SUSSEX

DUNLOP

- more than a name - a
national institution
contributing in active
measure, and in many
ways, to the war effort.
... To-day, as always,
Dunlop Tyres do their
duty.



3H/130

STEEL
MILNERS
EQUIPMENT

for the post-war office

The Safe aid to efficiency

MILNERS SAFE CO. LTD., 21, HAMPSHIRE LANE, LONDON, N.6.
Telephone: MOUnview 6655

WHY CHOCOLATE WILL BE SCARGER

When the starving peoples of Europe are liberated, how can they be fed? What can we send them which will supply the deficiencies and restore them quickly to health and strength? Something which is not only a food in itself but is capable of retaining the full potency of added vitamins?

This was the problem Britain's food experts had to solve, and experiments were made with many kinds of food before they made their final choice—chocolate.

For many months big shipments of Cadbury's Chocolate, rich in vitamins, have been going to help to keep our Armies fighting fit. Now, in addition, a large part of the output of the Bournville and other chocolate factories will consist of special 2-oz. blocks for liberated Europe.

That is why you will get less chocolate in your ration.

CADBURY
means Quality



FIRE : MOTOR
ACCIDENT
MARINE : LIFE

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION LIMITED

and Associated Companies
HAMILTON HOUSE, VICTORIA EMBANKMENT, LONDON, E.C.4.
Temporary Address: CHRISTCHURCH PLACE, EPSOM, SURREY.



BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a
complete international banking service
through its branches in

ARGENTINA, BRAZIL, CHILE,
COLOMBIA, ECUADOR, GUATE-
MALA, NICARAGUA, PARAGUAY,
PERU, EL SALVADOR, URUGUAY,
VENEZUELA, SPAIN, PORTUGAL.

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

Agencies in :
New York, Bradford, Manchester

£50,000 was paid every working day in 1942

to holders of PRUDENTIAL INDUSTRIAL POLICIES

More than 800,000 policies, including Free Policies,
became Claims by death, maturity or surrender.

The payments exceeded
£16,000,000

including bonus additions of more than
£2,800,000

The Premiums paid on these policies totalled
£14,750,000

On the average
£1.1.11 was paid out
for every **£1.0.0** paid in

"Home Service" was given throughout the
period the policies were in force.

THE PRUDENTIAL ASSURANCE CO. LTD.
HOLBORN BARS, LONDON, E.C.1

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN
SWITZERLAND)
1872

BASLE, ZURICH, ST. GALL,
GENEVA, LAUSANNE,
LA CHAUX-DE-FONDS,
NEUCHÂTEL, SCHAFFHOUSE

Capital paid-up S.Fcs. 160,000,000
Reserves - - S.Fcs. 32,000,000

LONDON OFFICE - 99 GRESHAM STREET, E.C.2

WEST END BRANCH: 11 REGENT STREET (Waterloo Place), S.W.1

New York Agency :
15 NASSAU STREET, NEW YORK

All descriptions of Banking and
Exchange Business Transacted

which dealers in this country could succeed in transacting owing to their foreign organisation, their resources, their skill and their international reputation for fair dealing. Wheat might be sold from Canada to Shanghai, rubber from Malaya to the United States, gum from the Congo to Hamburg. Not only would the transaction yield its profit to the dealer and broker in London, but it would probably be carried in a British ship, it would be insured at Lloyd's, it would be financed through a London credit and would thus leave its trail of profit to a large number of British institutions.

That kind of market, dealing as it does with commodities quoted in every important commercial centre in the world, demands, above all, rapidity of decision and of dealing. The arbitrage which can take advantage of minute differences in international price levels would be killed stone dead if every deal had to go through the mill of the exchange control machinery, which with its filling of forms must, even at its most efficient, grind slowly. Moreover, the normal functioning of these markets demands a bewildering variety of spot and forward exchange transactions among which it would be difficult, even for the expert, to decide which was essential and which tinged with speculation. The wheat operator straddling long and short positions in the commodity between Chicago, Buenos Aires and Sydney, improvising on this more or less covered position a whole host of subsidiary operations, shipping from stock here and buying forward there, then making all the appropriate cover in the forward exchange market, perhaps deciding not to remit certain proceeds of sales in anticipation of future outlays for shipping or warehousing in the country concerned—this operator might be very hard put to it to justify all his exchange operations to a suspicious control. How to distinguish between a genuine hedging transaction and one of more speculative character is a question which even the operator himself, unless he be singularly objective, may find it difficult to answer. Many of the speculative sales of suspect currencies in the inter-war period were justified by the sellers as protection for property held directly or indirectly in the country concerned. On all these issues—rapidity of decision, freedom to deal as the situation demands with the proceeds of export sales, complexities of covering forward exchange positions—no foreign exchange control could adequately meet the requirements of the type of international commodity market which flourished in this country before the war. If by reason of the overwhelming need for exchange control these markets could not be revived in something like their previous form, their passing would deserve much regret. They were the result of many decades of gradual evolution and experience; they performed a most important function in the world distribution of the commodities which they handled; and directly as well as through the ancillary

shipping, insurance and financial business they brought to this country, they provided a source of foreign exchange income which will be more than ever needed after this war.

The Open Licence

Fortunately, the available choice is not wholly bounded by this return to wholly free markets on the one hand and the UKCC type of State trading enterprise on the other. One type of compromise which has been tried during the war is for the Government to do the trading but to go on using the machinery of the old market. This has proved an unsatisfactory device. It amounts to no more than the payment of compensation to dispossessed merchants and brokers. If use is to be made of their ability and experience, they should be incorporated into the new State trading organisation. There should be no pretence that there is still a function for the former market to perform once the basic dealing activities have been taken over by the State.

A more promising compromise between free merchanting and exchange control would be to put the market on trust, allowing it freedom in its exchange operations subject only to the check of occasional supervision and of giving the authorities full and regular information of its operations and of its open foreign exchange positions. For firms of recognised repute, *post facto* reports can take the place of prior permission. This is the system of open licences in which some British authorities have seen the way to marry exchange control to free and vigorous initiative in our merchanting system. In considering this solution two points suggest themselves. The first is that the licences will have to be really free and comprehensive. For example, the control will have to be prepared to provide exchange for such unpleasant purposes as to meet losses incurred in foreign currencies, though, of course, the sterling equivalent of such losses must be shouldered by the merchants themselves. The second, and more important, point is that the open licence system would necessarily convert every produce market into a closed preserve for the licensed dealers. Licences would be granted to established firms of known financial and moral solidity. The way for the newcomer into the trade would be made much more difficult. So would the activities of those versatile and adaptable firms which in the past have served themselves and the community well by switching to whatever type of business activity the changing scene appeared to offer. Provided adequate safeguards were taken to prevent abuses by these Government-made monopolies, the price paid for this adjustment of the merchanting system to the strait-jacket of exchange control might not be unduly high. But that a price will have to be paid is certain and it should be carefully computed before irrevocable decisions are taken.

Investment—The Second Century

IT was *The Economist's* fortune to be born near the beginning of the adventurous phase of modern British investment. In September, 1843, only approximately £70 million of a present total of £1,100 million had been invested in the trunk railway system. British industry—particularly "heavy" industry, with its high proportion of fixed assets—had a century of continuous and phenomenal growth ahead of it. The public utilities were in their infancy, national electrification was still to come, and the internal combustion engine had not appeared. Before *The Economist's* first century closed, however, the British investor, by his own effort, had not only met all the domestic demands on his saving power which these comparisons imply, but had accumulated some thousands of millions of pounds-worth of external securities in the process of carrying the Industrial Revolution over the globe. Both the scale and the results of the effort were prodigious. The state had little part in creating or directing them, other than by assuring freedom of action in an expanding context. Yet, for a process in which trial and

error (the true "speculation") necessarily played so large a part, losses were surprisingly low. If it were ever necessary to compose an epitaph for individual enterprise, as the founders of *The Economist* conceived it, the achievements of the investor, 1843-1943, might worthily fill a line.

What rôle will investment play in *The Economist's* second hundred years? Admittedly, the question demands more of those who essay to answer it than was vouchsafed, by way of prophetic power, to *The Economist's* own pioneers a century ago. It may be assumed that, if James Wilson and his colleagues had foreseen a tithe of the contribution which investment would make to the economic progress in the next three generations, its needs would have figured more prominently in *The Economist's* Preliminary Number and Prospectus. In fact, they were hardly mentioned. Even the most percipient prophets are apt to err by under-estimation in making forecasts for long periods; the temptation to project known conditions into an unknown future is very insidious.

Scientific invention, the chief falsifier of the "actuarial" type of economic judgment, was never more decisive in shaping events than during the last century, and its influence in the next may, by all present indications, be more rather than less important. The transition from the Steel Age to the Plastics Age—a possibility which occupies the minds of many investors to-day—may be (who can tell?) only among the first and least of the problems which new demands, processes and techniques will impose in the investment world. War, again, is a proverbial upsetter of all prophetic calculation. The record of economic achievement in *The Economist's* initial hundred years owed much to the fact that, for the first seventy of them, this country was involved in no major wars. The story of the next hundred years, equally, can hardly be unaffected by the events of the last thirty. It is scarcely conceivable that Britain could twice have successfully withstood, within so short a period, the economic strain of a World War, waged à outrance, if her economic foundations had been less well laid between the 1840's and the early years of the nineteenth century. But the Second German War, in particular, and the events which preceded it, have not merely altered the immediate direction of a considerable part of Britain's productive effort and entailed the realisation of many of her accumulated overseas investments. They have also given a powerful urge to ideas of the right relationship between the individual and the state, in investment and much else, which, whatever their merits, were not those which *The Economist's* founders had in mind when the paper started a hundred years ago.

Investors, looking at affairs, naturally, from their own special viewpoint, are well aware that the almost universal acceptance of Full Employment as a post-war objective entails momentous consequences for themselves. If the crux of that policy's successful application lies in control of the relationship between saving and investment, and if there are phases of the trade cycle when the state's intervention in the investment market will be indispensable, then, whether the state comes in as friend, guest, or Trojan Horse, it may be presumed to have come into the market to stay. Its direct intervention may be intermittent and infrequent, but its watchfulness will be constant. The capital market will be aware not only of an eye which never sleeps beneath the wing of night, but of a mind which decides priorities, requires submission of certain borrowing projects for its approval, decides how fast different market queues shall move past the turnstile and has its own ideas about interest rates. The market, in other words, will have to accustom itself to having the state as ultimate arbiter. And how much more?

Are certain fields to become closed areas for the private investor, because the industries within them provide

essential public services, because they have become monopoly-ridden, or because they are merely big or unenterprising? Does the principle of limited liability, the legal machine-tool of so much investment in *The Economist's* first century, need overhauling, refitting with new modern devices, or, even, superseding? Is the Public Corporation, in which private investors have a financial but no controlling interest, destined to become, for some industries, the characteristic functional unit? Certainly, that might offer a practicable solution for one problem which these first hundred years have left unsolved. *Quis custodiet ipsos custodes?* Who shall control the management, that third estate to which shareholders, in so many instances, have handed over the reins of power, because they themselves have become too numerous and diffused to exercise it? If the success of the Companies Act of 1862 in drawing capital from remote springs into great reservoirs had had that paradoxical result, then public control might claim that it was but taking a right which private investment had allowed to lapse, but was too dangerous to be left to go by default. But does that solution itself create yet another problem, if investment, without control, is nevertheless expected to continue to exercise its risk-bearing function?

The answers given to questions such as these may well determine the lines of evolution of British investment during the next couple of decades, and its amount, direction and purpose for the next century. In one sense, they are fundamental. They involve a marriage between public interest and individual enterprise, and neither partner can afford the consequences of an unhappy union. In another sense, they are but formal. The public interest, remote or near, has always been paramount in investment, and enterprise has been, and will remain, its indispensable motive force. There is no final, determinate relationship between them, no mixture by a chemical formula, good for all time. However the frontier may change, investment will go on. In a hundred years' time, new industries will have been equipped, older industries will have changed out of recognition, the authorities will have obtained the wherewithal for waging war or improving the health and amenities of citizens in peace, and British capital will again have played its whole essential part in increasing the economic stature and productivity of foreign countries. Investment is continuous, and the more its outward forms and instruments change, the more it remains the same. Fortunately for the community—and perhaps for the investor—the pool is bottomless, whatever sluice-gates regulate the waters that feed it. Investment's problems defy endeavours to find any one answer for all time. As long as human progress endures, investment will remain a sensitive index of its trend and fluctuations.

NOTES OF THE WEEK

The German Retreat

The week has been crowded with Russian successes. The great victory of Kharkov has been followed up by the recapture of Taganrog. All previous Russian counter-offensives on the Azov, in the winter of 1941-42 and early this year, foundered against this powerful stronghold which the Germans were able to hold for nearly two years. Its fall is therefore the most spectacular achievement of the Russians after Kharkov. But the repercussions on the German position in the Donetz basin are not yet decisive. It is fairly certain that the Germans are engaged in a massive retreat in this area; but as long as they manage to hold the Stalino-Slavyansk network of railways, they still have a fair chance of achieving an orderly evacuation. The Russian lines, however, are not far off; and unless the Germans at this point make very extensive use of the communications leading from the Donetz basin westwards they may soon find themselves facing the risk of a very costly "battle of annihilation." The Russian advance between Kharkov and Poltava and to the north-west of Poltava brings them steadily closer to the northern flank of the

Dnieper bend, at Kremenchug. Further to the north the Russians have advanced from Sevsk and crossed the northern boundary of the Ukraine, a fact the moral significance of which is perhaps greater than its immediate tactical consequences. Of all the victories of the week the capture of Yelnya in the Smolensk area has perhaps been the most important one, since it threatens to unhinge the German defensive perimeter in front of Smolensk. Only a few weeks of the summer campaigning season are still left to the Russians. If, during this time, they succeed in reaching the Dnieper bend in the south and Smolensk in the north they will have prepared the ground for their third and most pretentious winter offensive.

Europe Resurgent

The political situation in Europe is disintegrating on every side. In Bulgaria the King is dead. In Denmark there is something approaching a state of war. The attitude of the Swedish Government to Germany has grown

suffer. In Croatia a number of the leading supporters of the Nazis among the *Ustasi* have gone into hiding. And in France the Germans, ably assisted by Laval, are doing all they can to shatter the spirit of French resistance before *Le Jour*—the day of invasion—comes. The policy of sending French workers to Germany has a double purpose. It augments the German labour force, but it also sends the most vigorous and able-bodied men away from the potential battlefield. In the last week there has been a new purge among French officials, even among those who are outwardly collaborating, and, if reports are correct, the Germans have found it necessary to arrest even so innocuous a person as M. Lebrun. It is not, of course, his personal record which has earned him this—it has been correct, but not outstanding—it is the fact that he, as President of the Republic, is still a symbol of the continuity the Germans wish to crush. All these symptoms of unrest point in the same direction—towards the disintegration of Nazi power, towards the rise of a new spirit of resistance, towards greatly increased vigour in the violence and sabotage activity of the underground movements. The new situation presents unrivalled opportunities for a strong political strategy on the part of the Allies; it is the Nazis now who are on the defensive, and the initiative in the war of ideas could easily pass to the United Nations—if only they had decided on what their political strategy should be. A picture of a liberated and united Europe, in which the rights and liberties of individual peoples were guaranteed, in which prosperity was served by functioning international economic arrangements and security given within a friendly framework of the three Great Powers, Britain, America and Russia—such a picture, hammered home by the propaganda services of all three nations, and accompanied by specific examples and guarantees, might add many divisions to the Allied strength. At the moment, no such joint strategy exists. The voice of Washington is not the voice of London, and the voice of London is not the voice of Moscow. The occupied countries, waiting to surge forward, are held and bewildered by the diversity of roads along which they are being asked to tread. Thus the failure in political strategy is having, and will continue to have, military consequences.

There is only one way in which this situation can be remedied and an effective political arm added to the strength of the military offensive. The three Powers must meet without delay and concert their political strategy. The dismay and questioning aroused by Russia's absence from Quebec have apparently persuaded the American and British leaders that this need is urgent. In his broadcast from Quebec, Mr Churchill gave the weight of his support to a joint conference of the Foreign Ministers of the three Powers.

not merely to explore the various arrangements for world security but to carry their discussions to a point where the heads of States and Governments may be able to intervene.

Mr Churchill went further. He said that Britain and America desire to "associate" Russian representatives with political decisions affecting the Mediterranean front, and declared that there was no step or decision

about which we should not wish to consult with our Russian friends and allies in the fullest confidence and candour.

In spite of other more general passages in the speech, in which the Prime Minister skilfully restated earlier answers to the demand for consultation with Russia and for the opening of a Second Front, this statement should help to clear away many of the doubts and ambiguities of recent weeks. Everything turns now on what is actually done, on the vigour with which preparations for the Foreign Ministers' conference are pressed forward, and on the frankness and comprehensiveness of the talks. Mr Maisky is in London, and it is said that the latest initiative for a meeting has come from his side. Mr Eden has seen him and Mr Winant. The sooner their consultations lead to action, the better pleased will be the British public and the better served will be the Allied cause.

War in Denmark

The myth of a free and independent Denmark co-operating within the framework of an ordered German Europe has been finally exploded by the abolition of the Danish Government in Denmark, the dissolution of the Cabinet, the placing of King Christian under what is virtually house arrest and the transfer of all political power to General von Hanneken. The German Commander-in-Chief is now in

complete control of the country with full powers to govern, to punish and to execute. This sudden end to Denmark's quasi-independence comes after a period of intense unrest. Strikes, sabotage and serious clashes with the German troops have occurred throughout the country. These outbreaks are the cumulative effects of three years of German occupation, together with the growing certainty in Denmark that the Germans have lost the war. From the first, the Danes have resented bitterly Germany's propaganda to the effect that they accepted and even enjoyed the New Order; and for some time past politicians, trade union leaders and municipal officials have been co-operating in a campaign to prepare the people for sabotage, and even insurrection, should the German hold begin to loosen. They were determined to prove to the outside world that Denmark could not be bought off by special delicacies from the German table. The disappearance of Mussolini, followed soon after by the cancellation of the German transit agreement with Sweden, must have convinced the leaders that the time for stiffened Danish resistance had come. This period also coincided with a big increase of German pressure on the Danish people. In recent weeks, the Germans have introduced more intensive preparation against air raids. The cancelling of the transit traffic put a sudden and extremely heavy load on the already overburdened Danish railways—and railway workers. Fear of an Allied invasion compelled the Germans to strengthen their coastal fortifications, and to do this they had, for the first time, to introduce the Danes to forced labour and requisitioning. The trade unions countered the growing German pressure by demanding increases in wages and war risk bonuses, by instigating sit-down and open strikes, by dynamiting factories, blocking railways and derauling trains. The Germans appealed both to the Scavinius Government and to the King to help them to check the spread of disorder and resistance; but the situation was quite out of hand, and now the Germans have been compelled to take steps which virtually amount to a declaration of war on Denmark.

Screws on Sweden

It is too early to say whether the sharp exchanges between Germany and Sweden over the sinking of two



Swedish fishing vessels will develop into a more violent conflict. The facts are straightforward. German mine sweepers sank two Swedish vessels, killing their entire crews; these ships were fishing off north-west Jutland in waters which the Germans declared to be protected but which were not within the territorial limit. The Swedes protested energetically with the full and angry support of the Swedish press. At this, the official German *Diplomatische Correspondenz* chose to rebuke the Swedish newspapers severely, reminding them of their country's awkward geographical position and declaring "It is time to pronounce a sharp warning." Now come rumours of a concentration of German warships off Denmark. Clearly the revolt in the north is an embarrassment to the Germans. First the ending of the transit arrangements and, following it, the disturbances in Denmark have upset all the transport arrangements for supplying the Norwegian front. It would undoubtedly be a great convenience for the Nazis to be able to make use of the railway system in south Sweden. Against the advantage, they must set the outlay of military power which would be necessary to drive the Swedish army out of southern Sweden, and the economic loss which would follow from the cutting off of Swedish iron ore and timber. It does not seem an auspicious moment for the Germans to undertake new military commitments and fresh economic losses. They will certainly try intimidation. The limitation of this policy is that they no longer play from strength.

Exit King Boris

Ex-King Ferdinand linked Bulgaria to Germany in the last war and lived on to see his country's defeat. King Boris, the son who learned nothing from his father's failure, has met his death before Bulgaria's second defeat. His disappearance leaves Bulgaria in the throes of an internal crisis which has put an end to the "quiet and glorious" era of Bulgaria's cheap and bloodless victories over Greece and Yugoslavia. The two main internal factors in this crisis are the army and the peasantry, and both have tended for some time past to pass out of the monarch's control. To bring Bulgaria into line with the German war effort, the Bulgarian Government has taken very dangerous liberties with the country's economic structure. Dairy farming has been starved and cereals have given place to tobacco and industrial plants. This readjustment has affected the peasants disagreeably, and, combined with the countryside's strong sympathies for Russia, has given the peasantry an anti-German and anti-Government bias. Their attitude has naturally influenced the ranks of the country-bred army, and, however pro-German the officers may have been, the army as a whole was not a reliable instrument for Boris's policy. Though he declared war on Great Britain and the United States, he never wavered in his desire to maintain intact diplomatic relations with Russia. Over and above the pro-Russian feeling of the peasants there has always been a pan-Slav undercurrent in Bulgaria, and this feeling was outraged by the shameful oppression of the Yugoslavs at the hands of Boris's soldiers. The Allied victories and the collapse of Mussolini have naturally intensified the general sense of unrest and dissatisfaction. It is therefore plausible to suppose that King Boris spent the last months of his reign trying to manoeuvre himself out of a very awkward position. In this he was, like Badoglio, hampered by the presence of German forces. The Gestapo has recently tightened its grip over Bulgaria, and the last agreement between Bulgaria and Germany (signed by Boris only a few days before his death) was, significantly enough, concerned with "the extradition of criminals."

The death of King Boris is likely to bring the crisis to a head. Under the Constitution of Tirnovo, the King enjoyed unlimited dictatorial powers. The new six-year-old ruler, bear-led by the archaeologist Prime Minister Filov, will hardly be a sufficient rallying point to provide unity and keep the country quiet. A Council of Regents is to be formed, and it will be very surprising indeed if this Council is not torn from the very beginning by divergent policies and plans. It is almost certain that the pro-Italian party represented by the Queen-Mother (the daughter of Victor Emmanuel) will be strengthened at the expense of the pro-German party at the Court. The Regency's foreign policy will probably run parallel to the policy of the Badoglio Government. Conditions in the two countries are similar in several ways—the reluctance of the people to fight and the critical collapse of authoritarian leadership, on the

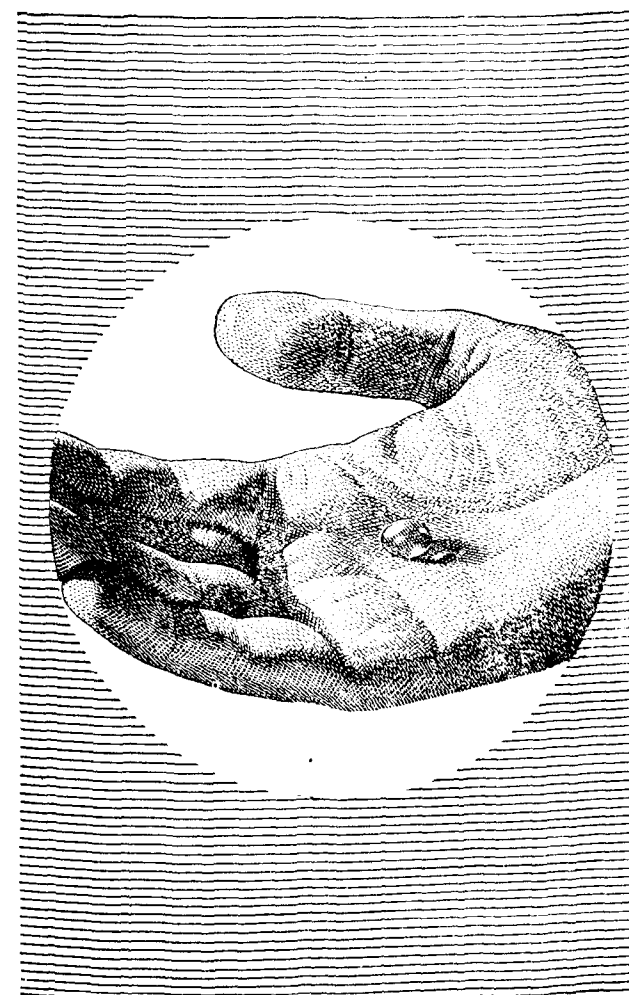
one hand; and, on the other, the existence of commitments to support Germany backed by the presence of the Wehrmacht.

The Pattern of Production

The war enters its fifth year with an overwhelming superiority of armament on the side of the United Nations. Mr Lyttelton, Minister of Production, has stated that the combined output of the Allies is now three times as great as that of the Axis, and that next year it will be four times as great. Substantial increases in output have been made in this country during the past year. The total output of munitions for all three fighting Services was 25 per cent higher in the second quarter of 1943 than in the second quarter of 1942, which was a particularly good period; in aircraft alone, there was an increase in the structural weight of output of 44 per cent. Actual production during the first six months of this year has equalled planned production. A policy of switching over from the production of defensive to offensive weapons was decided upon last January, when the Allies for the first time secured the strategic initiative; and Mr Lyttelton described its effects. The production of weapons and equipment which have become obsolete, which were primarily needed for desert warfare or of which there are now abundant supplies, is being stopped or curtailed, and production will be concentrated on the most modern and offensive types of weapon. The foremost of these is aircraft, which has a high obsolescence rate, involves constant adjustments and modifications to maintain superiority of performance, and carries with it the highest hopes of the Allied strategists. And increased emphasis will be laid on the production of certain types of naval vessels, of the scientific instruments used in sea warfare, and of radio equipment. During its first six months the transition was carried out with remarkable smoothness, though the scale of the change-over during the preliminary months was considerably smaller than it is, or will be, when the new policy is in full swing. Some 75,000 workers were released from their previous occupations between January and June, 1943, and of these, only 1,500 were unemployed for a month or more. Labour released from the production of Army supplies was rapidly absorbed in aircraft or naval work, and the cuts were made in the most heavily congested areas—thus about two-thirds of the cuts were made in the North-West, Midlands and London regions. The next stage, when the full effects of the change-over are felt, and the production programme gathers momentum, will be correspondingly more difficult to negotiate. The acceleration of the change-over from job to job, and from industry to industry, is bound to result in both local pockets of short-term unemployment, and, briefly, a slowing down of activity and idle hours in particular factories. The area of choice for recruits to the expanding industries will be limited because the numbers involved will be large, and there will be no margin. It will not be easy to secure a balance between cuts and expansion. But these are problems to be solved—and to be explained and publicly understood.

The Human Element

It is the Minister of Labour's task to secure a sufficient supply of labour; it is the Minister of Production's to allocate it in such a way as to conform to the strategic requirements of 1943-44. Both Ministers are concerned to minimise the considerable human problems involved in the execution of this policy. The actual transference from one type of production to another must result in inconvenience to both workers and managements, and often in financial losses. Wherever possible, the aim is to take the work to the workers, rather than to move the workers to the work. The Minister of Production is seeking to arrange for contractions in Ministry of Supply factories in areas where the labour released can be absorbed in aircraft production; for the allocation of Ministry of Aircraft Production work to Supply factories whose contraction is planned; and, where transfers are necessary, on a group rather than an individual basis. But there are practical limitations to this policy, and many of the Supply factories cannot be adapted for aircraft production. In some factories, particularly in aircraft work, the programme changes and modifications may involve periods of idle time, which have puzzled and distressed the workers. There is also a tendency for the growth of complacency and slackening of effort, in part due to the closing down of production sectors hitherto regarded as vital, and in part a reflection of the



AN ESSENTIAL OF WARTIME DIET

Stored in this tiny capsule are two vitamins without which it is impossible to maintain health. They are 'protective' vitamin A and 'sunshine' vitamin D and, unfortunately, they are not always readily obtainable in a wartime diet.

A daily dose of Crookes' Halibut Oil—one of the richest natural sources of these vitamins—will build up your resistance and stamina and prove of inestimable value during this fifth winter of war.

CROOKES' HALIBUT OIL

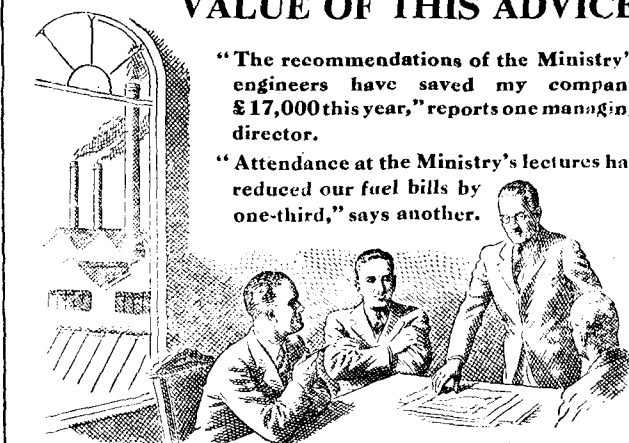
Obtainable only from chemists
CAPSULES — PER BOTTLE OF 100 — 8/6
LIQUID — PER PHIAL — ENOUGH FOR 16 DAYS 2/-



MANAGEMENT MUST SAVE MORE FUEL THIS YEAR!

The technical knowledge of the nation has been mobilized. Over 650 fuel experts are assisting the Regional Fuel Efficiency Committees. Trade associations have organized themselves to solve by co-operation the special fuel problems of their industries. The Ministry's bulletins are providing the best technical advice. Classes and demonstrations for managers, engineers, and operatives have been arranged throughout the country.

HERE ARE EXAMPLES OF THE VALUE OF THIS ADVICE



"The recommendations of the Ministry's engineers have saved my company £17,000 this year," reports one managing director.
"Attendance at the Ministry's lectures has reduced our fuel bills by one-third," says another.

Management must take the lead or this effort will be wasted. Will you —

- ★ see that the Ministry's engineers' recommendations are carried out.
- ★ meet your fuel watchers regularly and support their suggestions.
- ★ see that your fuel watchers know how and where to look for waste.
- ★ arrange for members of your staff to take the Ministry's instructional courses—go yourself if you can.
- ★ keep in touch with your Trade Association's Fuel Efficiency Committee.
- ★ see whether thermostatic control will reduce your heating load.

The Ministry's Regional Offices are at: GLASGOW • NEW-CASTLE • MANCHESTER • LEEDS • BIRMINGHAM • NOTTINGHAM • CAMBRIDGE • CARDIFF • BRISTOL • READING • LONDON

ISSUED BY THE MINISTRY OF FUEL AND POWER

general confidence in victory. It is doubly important to explain directly to workpeople the necessity for changes which affect them so much as individuals.

* * *

Recognition at Last

The manner in which the three Great Powers recognised the French National Committee was a reflection of their reactions towards General de Gaulle. In Britain and the United States reservations are still made about the scope of his political ambitions, and there is an undercurrent of anxiety lest recognition should strengthen unduly his personal position in post-war France. Thus both the British and the Americans limit their recognition of the Committee's authority to French territory overseas. The National Committee will not be regarded as the sole custodian of the interests of metropolitan France—indeed, the Committee's general claim to be custodian of all French interests is not conceded by either Government. Again, in the preamble to their statements of recognition, the two Governments stress the need for the French Committee to act as a collective body, and underline their desire that nothing should interfere with the French people's free choice of their government after the war. The Russian recognition which followed immediately after the announcement of the limited British and American recognition goes much further:

The Government of the Union of Soviet Socialist Republics, having acquainted itself with the Declaration of the French Committee of National Liberation, has decided to recognise the French Committee of National Liberation as representing the state interests of the French Republic, and as leading all French patriots fighting Hitlerite tyranny, and to exchange with it plenipotentiary representatives.

During the course of the last year, General de Gaulle has been building up much closer relations with the USSR, and his known determination to direct post-war French policy towards friendship and understanding with Russia has probably decided the Soviet Government to accord a recognition of the National Committee which virtually gives it the status of a Provisional Government. In the present rather uncertain state of diplomatic relations between the three Great Powers, it is a matter of regret that their recognitions should not have been better co-ordinated. The Russians proved their willingness to collaborate, and their loyalty to the terms of the Anglo-Russian Treaty by delaying their recognition until months after they were ready to accord it. It is permissible to ask whether the final failure in co-ordination must not be laid at the doors of the British and the Americans. This is the kind of divergence which, however unimportant it may seem in origin, can expand into a real conflict of policy. The best argument for some close and even permanent organ of Anglo-American and Russian consultation is that regular contact would enable the statesmen to discuss every difficult problem at an early stage in its development, and not leave it until time, prejudice, propaganda and the growth of vested interests have made it virtually insoluble.

* * *

French Reactions

It is not very likely that the verbal form given to recognition by the British and American Governments will have very much influence one way or another in deciding the future political framework of France. Insofar as their recognition heightens the status of the Committee, it can help to mitigate any danger there may be of personalist politics after the war. But no amount of reservation can counter the fact that the French National Committee, presided over by General de Gaulle, is the body to which nine-tenths of the French people will look in the hour of liberation, and which will, therefore, have a very large measure of political power in the immediate post-war period. The question of how that power will be used depends upon internal rather than external factors—for example, on the influence and solidarity of the civilian members of the Committee and, even more, upon the temper of the French people themselves. What little evidence there is suggests that the approach of liberation is bringing with it a slight shift of emphasis in the underground political life of France. The shift is away from a single-minded concentration on resistance—the state of mind of which General de Gaulle was the supreme symbol—and towards a new awareness of the future and of the part which political organisation will play in it. Significantly enough, the Socialist Action Committee has now

returned to its former name of French Socialist Party, and in its manifesto, although it states the necessity of setting up a Provisional Government presided over by General de Gaulle, it demands that this Government shall be one of national concentration, including men of the pre-1940 political life of France, as well as men who have proved themselves in the resistance movement—significantly enough these men are referred to in the document as "Republican guarantors"; and it also demands that there shall be a Provisional Assembly of Control, including representatives of the resistance organisations, party delegates, deputies who did not take part in the betrayal of the Republic of July 10, 1940, and delegates from all the already liberated departments. Even more significant, perhaps, is the manifesto signed by the group of twenty-seven Communist deputies in Algiers. The second point declares that the National Committee must break definitely with Vichy politics by "accustoming the people to follow neither a single man, nor a group of men, but a programme which everyone can and must discuss, insofar as time and conditions permit." Possibly these are only straws in the wind, but at least they suggest that the wind is not, as some observers suppose, blowing steadily in the direction of personalist rule and the single-party state.

* * *

Indian Food

The inevitable political implications of the present food shortages in India were discussed in a Note in *The Economist* last week. Considerable political capital is being made out of the very distressing situation that exists in a number of districts. Congress newspapers place the entire responsibility on the shoulders of the Central Government; reports of hoarding, racketeering and obstruction or maladministration by provincial and local authorities are dismissed by them as mere excuses. It is important, for the future of common sense and good will in the discussion of Indian politics, in every Allied country, that these accusations should be set in a right perspective. In the first place, the shortages are local, worst in Calcutta and parts of Bengal, though serious also in Bombay, Travancore and Cochin. The peoples of India eat mainly rice and wheat, and there is no shortage of wheat, except that due to the maldistribution of stocks and, of course, to the deficiency of rice. The case of rice is different. In normal years, India imports 2,000,000 tons of rice from Burma and Siam, both now closed to trade; twice successively India's own rice harvest has been poor; cyclones and floods have spoiled crops and prevented their carriage; moreover, India has the problem, common to all belligerent countries, of dovetailing civilian requirements with a rising demand for both food supplies and transport facilities. This is the basic situation, for which in general no particular authority or persons can be blamed.

*

But the situation has been made worse, and more difficult to solve, by a combination of factors. There has been some withholding of stocks by farmers and speculators, with the object, or at any rate the consequence, of driving up prices still further and lessening the supplies available. There has also been a definite inflationary trend, tending to drive up prices generally, due to the familiar phenomenon of dwindling supplies of consumers' goods combined with rising purchasing power; indeed, one of the reasons why farmers have been disinclined to market their crops has been the difficulty of converting the proceeds into the consumers' goods that they want. Hoarding has not been confined to producers, middlemen and speculators. In a different form, it has appeared provincially, in the reluctance of some provinces to release surpluses to meet the requirements of other regions. This does not mean, of course, that no responsibility at all attaches to the Central Government for the continuing crisis. Its job has been to make the best of a bad job, and, for a variety of reasons, it has not yet succeeded in doing this. Broadly, the proper policy of physical control over supplies and distribution has been stated; the pooling of supplies of all food grains throughout India; the unimpeded dispatch of supplies to deficiency areas; the control of prices; the prevention of malpractices; and, possibly most difficult of all, the introduction of rationing in areas with adequate supplies. Unfortunately, it has not yet proved possible to enforce this policy satisfactorily. The provinces, for instance, on whom lies the main responsibility for enforcing food laws, have not yet, in many cases, been fully persuaded of the need for drastic action; and, it seems, they cannot be coerced

velvet glove has been more in evidence than the iron hand. Measures have been taken, with appreciable effect, to check inflation, and at any rate to prevent prices from rising above the present levels—which, however, in the case of rice, make consumption by the poorest almost out of the question. Much more is needed. The Central Government's correct reply to the Congress charges is to call for the support of Congressmen and all other patriotic Indians in a determined campaign to distribute India's food according to India's needs.

* * *

The Catholics and the White Paper

Last week, the Roman Catholic Hierarchy of England and Wales spoke out loud and bold on the White Paper on Educational Reconstruction. They

regret to find that according to its provisions we shall still be penalised for our conscientious convictions... we see in the White Paper a threat to the existence of our schools...

Unfortunately, the declaration, though full of generalities and statements of principle, was obscure about the particular provisions of the White Paper to which objection is taken. To the layman, the provisions seem fair and reasonable. In the "Local Agreement Schools," that is, schools which come within the provision of the 1936 Act enabling, for a limited period, a local education authority to make a grant of 75 to 50 per cent for building, religious instruction will be under the control of the managers—the Roman Catholics welcome the revival of the Act. In "Controlled Schools," whose managers cannot meet half the cost of building and repairs, all financial obligations will pass to the LEA, together with the appointment of teachers; but the managers will be consulted on the appointment of a head teacher, and the foundation managers will have the right "to be satisfied" on the appointment of reserved teachers who will give denominational instruction for not more than two periods a week to children whose parents desire it—the Roman Catholics agree

that a way could be found whereby we could with security surrender the right to the appointment of teachers.

In "Aided Schools," where the managers can meet half the cost of improvements and repairs, the remainder will be met by a direct Exchequer grant, and the power of the managers regarding the appointment of teachers and the giving of denominational religious instruction will remain substantially unaltered—the Roman Catholics

are not indissolubly wedded to all our managerial rights.

*

It is difficult to see how a better compromise between Church and State on this most controversial question of religious instruction could have been devised, especially since it is not one Church, but at least three that have to be reconciled. The Catholics are apparently afraid that their resources will not allow them to provide half the cost of improvements, and that their schools will consequently become "controlled"; they are also probably afraid that they will not be able to compete in the provision of new schools, and it is

against their conscience to send [their children] to any but Catholic schools.

They ask for the introduction of the Scottish system to England, but, as the White Paper points out, conditions and tradition are quite different in the two countries. In Scotland, there is no ban on denominational instruction, whereas in England the ban on such instruction in publicly provided schools is as old as compulsory education itself. It is also well established that help from public funds must be accompanied by increasing public control, however much that control is tempered by the wish to preserve individual initiative and independence. Many Catholics would be among the first to argue that if the public schools are given grants from public funds they will have to be subject to a corresponding measure of public control. The same principle holds good for their own schools.

* * *

From Anomaly to Anomaly

This week, the Pensions and Determination of Needs Act, 1943, came into operation. The provisions of this Act were discussed in a Note in *The Economist* on May 15th (page 618). Now that the regulations made under it have come into force, it seems that its patchwork character is going to be worse than was then feared. It is an improve-

ment that a widow under 60 with dependent children, who is covered by the contributory pensions scheme, will be eligible to apply for supplementary pensions even after her children die or cease to be dependent; it is very hard on the woman whose husband dies just after her child leaves school, because she will still have to rely on public assistance to supplement her widow's pension or on her child's earnings, and will not be able to apply for a supplementary pension until she is 60. Most curious of all, however, is the provision applying the principle of the Determination of Needs Act—substituting an individual needs test for a household means test—to the grant of outdoor relief under the poor law and to the provision of financial assistance to the blind, in cases where the applicant for relief is a member of a household. This has led to the absurd situation that a son living with an aged father who is applying for relief will only be treated as contributing to his support if he earns £6 a week or more. But an order for maintenance under the poor law can still be made against a son not living with his father—and to the full extent of his means. Surely, it is time that the Government learned that, with such an anomalous system as the British social services, anomalies can only be removed in one place at the cost of creating others elsewhere. It was to avoid just such situations that Sir William Beveridge reported.

* * *

The Dilemma's Horns

The riddle of the future organisation of retail distribution and its manufacturing suppliers has seldom been better stated than it was by Mr Paul Cadbury in a speech to the Confectionery Trade Council a week ago. Nor, probably, would Mr Cadbury claim that he was able to resolve it. On the one hand, Mr Cadbury avowed himself implacably opposed to the kind of control by sectional associations of traders and manufacturers which takes the form of maintaining high prices and high margins and restricting the entry of new competitors. On the other hand, he did frankly say that distribution is the country's "least efficient industry"; and that the line of progress, technically, should be the lowering of distribution costs by better organisation and the elimination of redundant units—precisely the case which is made, disingenuously, by the trade associations when they claim powers of self-government and coercive control. Moreover, both in wartime and in the immediately post-war period, special conditions of shortage, of both raw materials and labour, make necessary a degree of regulation and control which is now familiar in the form of concentration, zoning, rationing and the limitation of the number of shops—all policies which, again, are seized upon by sectional interests as the exemplars of "planning" in the very different conditions of peacetime plenty. Mr Cadbury was firm in his opposition to the use of wrongful means to achieve, or to give the appearance of achieving, the desired end of cheaper and more efficient distribution. The proposal that, in the trade with which he is particularly concerned, retail outlets should be licensed by a committee of two manufacturers, two retailers and one representative of the public, he condemned. Nor did he agree with the demand that all manufacturers should, by compulsion, be made to join their trade association. Nevertheless, as he said, the problem of efficiency or rationalisation remains. The sectional method of reorganisation by which

Second Edition

THE PLANNING OF FREE SOCIETIES

By FERDYNAND ZWEIG, Professor of Political Economy in University of Cracow.

B. SEEBOHM ROWNTREE, in *Spectator* writes: "A really important book, which none concerned with post-war economic developments can afford to overlook."

R. P. SCHWARZ, in *Fortnightly Review* writes: "The author's precise and well-balanced argument will win him wide approval."

Times Educational Supplement: "The best book yet published on planning, covers every aspect of a huge subject."

12s. 6d. net.

SECKER AND WARBURG

the *status quo* is protected by the prohibition of new competition and the maintenance of prices and margins as high as possible is unacceptable: "It is the new entrants that keep the trade alive." Mr Cadbury felt tentatively towards the alternative of state regulation in the interests of the community—that is, of full employment and rising standards of living—and not those of a section. He suggested that the need for fewer and more efficient shops might be met by the provisions of town planning—by the creation of neighbourhood units in each planned area and the allocation to each of a limited number of shopping sites. On price control, he was not quite clear. He spoke equally against "price cutting" and artificially high margins. He admitted that, in his belief, there will have to be some degree of price maintenance; but he hastened to add that the aim should be "as low margins as possible with high turnover instead of low turnover with high margins." Plainly, there is room for much more discussion of these crucial points, and the emphasis laid by Mr Cadbury—in the teeth of his trade, which took it very well—upon the national rather than the sectional viewpoint is a worthy contribution.

* * *

The Small Trader

The Liberal Independent Trader Enquiry Committee lately issued a report, published in pamphlet form, called "Fair Play for the Small Man." The fundamental points of its recommendations deserve approval. It is, for instance, right to treat the small independent trader as an important part of the distributive system, instead of as an unfortunate relic—the representative of "far too many shops." It is also a right principle that, subject to the requirements of town planning, there should in general be complete freedom of entry to retail trade, and that the manufacturers' practice of making it a condition of sale to a retailer that the latter should not buy from a competing manufacturer, together with similar monopolistic restrictions, should be prohibited. The appointment of a Retail Trade Commissioner, with the duty of watching the retail trade associations and reporting to the Board of Trade any case where they exceed their proper functions, also deserves consideration. It is, however, difficult to draw the line between freeing the small man from obvious hardships and showing him undue favouritism. In its tenderness for small retailers, the Committee tends to overlook the fact that as a body they are far from being a freedom-loving community. They are very enthusiastic about their own freedom, about their independence of cartels and trust and trade association restrictions. But they are equally enthusiastic when it comes to opposing the freedom to trade, and they all stand for restricting the access to trade by qualification tests, licensing and registration. An example of their reactionary views can be found in their demand that Co-operative dividends should be prohibited, and it is surprising that the Liberal Committee should support this view by recommending that a dividend exceeding a "reasonable discount" should be subject to taxation. This is a most dubious recommendation. The Co-operative dividend is a device for distributing savings within certain periods, and it would surely be wrong to subject economies secured by Co-operative organisation to taxation. It is also doubtful whether an association of independent traders, as envisaged, would serve any useful purpose. It could hardly work in close contact with the regular trade associations if its members decide to uphold the right to trade in its full sense; if they do not, it would merely make the monopolistic organisation of retail trade more complete. The Liberals should beware lest their enthusiasm for the small man as such should lead them into the very dangers they are trying to combat.

* * *

Food Economy

Lord Woolton has explained that he does not intend to increase the present food rations, which are adequate for good health and nutrition. Stocks are needed for emergency and for fresh military campaigns. The Minister's slogan "Food for Attack" recognises that, as in the case of the expeditions to North Africa and Sicily, new operations must trench upon his province—directly by their call for extra foodstuffs, and indirectly by their demands upon shipping. Lord Woolton is the most successful of wartime Ministers in the eyes of the majority of ordinary men and women—if not in the view of those sections of the food trades where control and regulation have inter-

fered with peacetime ways most harshly. Mistakes have, of course, been made. The problem of distributing vegetables has apparently proved hardly soluble. Where food strategy has impinged most closely upon agricultural policy the higher wisdom has not invariably prevailed; the wartime maxim that foods for direct human consumption, those of the highest nutritional value and those most saving of ships should have an overriding priority in home production has sometimes been resisted, not always wholly in vain. But this year's harvest is a tribute to the triumph, on balance, of the right ideas—as well as to the technical efficiency and hard work of British farmers and farm workers, reinforced by volunteers from schools and towns. The chief reason, undoubtedly, for the success of the Minister of Food was the decision to introduce rationing and price control early in the war. The fatal tendency to regard rationing as a sign of weakness instead of, as it should be regarded, as an essential instrument of wartime policy and a guarantee of strength in battle, was resisted—after some indecision, which lingered on for a considerable time as each new need to tighten and extend food rationing came up. The British people know that they have been rationed, not because food has been scarce, but to prevent it from becoming scarce, and in order to preserve resources of ships and manpower for other war purposes. It is the more easy now for them to understand that, although present stocks and arrivals of food would permit appreciably higher rations, it would be contrary to policy to allow any increase. Moreover, the German under-water fleet is still in being. So long as this is so, Britain's foodstuffs, which are drawn across the seas from the entire world—meat, butter and cheese from Australia and New Zealand; meat, milk and eggs from the United States; wheat and bacon from Canada—should not, in the slightest, be squandered.

* * *

Science in Industry

Britain, as a nation, is not science-minded. It spends only one-tenth of one per cent of its national income on science, compared with one-third of one per cent in the United States, and one per cent in the Soviet Union. Comparisons of this kind, in terms of money and not of results, and in terms of national incomes which, because of statistical and social differences, are hardly comparable, do not prove much. But it is plain that, unless this country takes every step possible to mobilise and utilise scientific research for post-war development, it may not be able to hold its own in world markets. This is the view of many scientists and industrialists, and it is the tenor of a pamphlet, entitled "Are You Research-minded?" which Sir Harold Hartley, Fellow of the Royal Society and vice-president of the LMS Railway, has addressed to his fellow-industrialists. The pamphlet is timely, especially as it coincides with the bicentenary of the great Lavoisier, the founder of modern chemistry, who was conscious with a foresight beyond his age of the possibilities of applying the discoveries of science to the processes of industry. For some time past, there have been criticisms that the nation's scientific resources have not been harnessed to the war effort as speedily or as effectively as they might have been. The Association of Scientific Workers has produced a weight of evidence on the misuse of scientific manpower, and Professor A. V. Hill and others have consistently pressed for the setting up of a Scientific General Staff to direct and co-ordinate research work. Considerable improvements have been recorded in the past year, and the intention of Sir John Anderson's recent visit to the United States was to ensure the maximum co-operation between British and American scientists. There is obviously room, however, for further improvement, not only to meet immediate needs, but, above all, in planning for the future. Sir Harold Hartley makes several suggestions: closer contact between scientists in industry and those in the universities, who tend to operate in an academic vacuum; more industrial research associations—out of 24 associations, only four spend more than £50,000 a year, which is 0.06 per cent of the turnover of the industries concerned; more integration between research and development. He might have added that scientific workers in industry are underpaid, though the fruits of their labour may gain or save their firms many thousands of pounds; and that there is still an undue reluctance, from the national viewpoint, to pool information about new developments. Moreover, the higher civil service, trained largely in the classical school, often fails to appreciate the importance of scientific methods. An exception is the Ministry of Food, which provides an example of a Government department that not only encourages science, but applies it, to the advantage of the whole nation.

Sugar and Clothing

The Government's decision to raise the retail price of sugar by one penny a lb., that is, to fourpence per lb., on September 16th, provides an interesting example of the methods used to stabilise the official cost of living index. Broadly, the object is to stabilise the statistical index as a whole, rather than, directly, the actual cost of living, but to allow some flexibility of movement to the components of the index. If the cost of any one of the components rises, the Government can prevent this rise from being passed on to the consumer by means of a subsidy, or it can reduce the price of another component, also by a subsidy. The cost to the Exchequer of these alternatives may differ very considerably; it depends largely on the weight allocated to individual goods in the index, and on the relative expenditure of consumers on different articles. Thus, the rise in the retail price of sugar to domestic consumers involves a reduction in the sugar subsidy from 2½d. per lb. to 1½d. per lb. This saving in the sugar subsidy has been made possible, without any consequential rise in the cost of living index, by the downward trend in the average price of clothing, which, in turn, is due largely to the remission of purchase tax on utility goods. It is not stated whether the Treasury will benefit from the transaction, that is to say, whether its saving on the sugar subsidy will exceed the loss of purchase tax. The effect on the individual consumer will depend on his relative expenditure on sugar and clothing. If he takes no sugar, to cite the extreme example, he will gain most, but only if he purchases utility clothing; if he consumes his sugar ration and buys no clothing—if that were possible—or only non-utility goods, he will lose most.

* * *

Second Thoughts in Spain

The logic of events has not been lost on the Spanish Government. In particular, the discrediting of Fascism by the fall of Mussolini has had a very unsettling effect upon the Falangist machine, and the realisation that pro-Axis non-belligerency is no longer a winning ticket has led to a number of significant modifications in Spanish policy towards the belligerent Powers. For example, the messages sent by all Axis correspondents must now be censored. Allied war films are being shown for the first time, and the press is now permitted to publish the wave-lengths of British and American broadcasts. Even more surprising is the change of tone in the press. In a recent issue of *Ya*, Britain, after four or five years of solid slanging, came in for a glowing tribute.

In the middle of political and social disintegration, the atmosphere, the unity, the harmony and the solidity of the British Empire are one of the few comforting sights. Guided by its old and traditional institutions, dominated only by the idea of individual liberty and by respect for man, the British Empire is an example, a hope and a guarantee that neither disorder, nor barbarism, nor tyranny shall enslave the world.

This quotation is an interesting commentary on the hopes and fears of the Spanish Government for the post-war world. Both the press and all official utterances are as insistent as ever on the menace of Communism, but they are attempting to dissociate Britain and America from Russia and to suggest that the western democracies will preserve "order and civilisation," which is the Falangists' euphemistic description of their own regime. The interpretation which the Spanish Government puts upon British intentions is not a matter of very great interest for the time being. What is of interest is Spain's virtual recognition of Germany's defeat and its attempt to reorientate its position accordingly. The western democracies are thus in a strong position for securing whatever conditions and guarantees they require to ensure Spain's strict neutrality. Sir Samuel Hoare has seen General Franco, and has made it quite clear to him that the Allies cannot tolerate the anti-Allied propaganda current in the Falange, the assistance given to the Axis through spying and sabotage and, in particular, the leakage of information about Allied shipping and naval arrangements generally. Nor can the Allies accept the present position in Tangier, or the activities of Spanish officials and German agents in Spanish Morocco. The execution this week in Gibraltar of a Spaniard charged with sabotage is a practical reminder that Britain's long suffering has come to an end. It is to be hoped that General Franco drew the right conclusions from his interview with Sir Samuel Hoare and that the Allies will have no further cause to complain during the course of the war. As for the future—that is the concern not of the British but of the Spanish people.

Miners' Welfare

The Minister of Fuel claims that more has been done in the past year to improve the conditions and welfare of the miners than in the whole of the preceding fifty years. Many of the reforms were long overdue, but the credit side of the balance-sheet stands high. The setting up of pit-head canteens, the development of rehabilitation centres, the preventive measures against dust disease and the scheduling of pneumoconiosis under the Workmen's Compensation Acts—these are but a few of the positive measures introduced during the last few years. The mining community wishes to make sure that these are permanent, and not merely temporary improvements to be whittled down if the coal industry should again become depressed. An earnest of the Government's intentions has been given by Major Lloyd George, who assured the Miners' Executive last week that he intends to complete the provision of pit-head baths as rapidly as possible after the war. In April, 1939, the Welfare Fund Act increased the output levy from 3d. per ton to 1d. per ton, for a period of five years, for the express purpose of providing more pithead baths. But the building programme was suspended when war broke out, and, as it is, only about 60 per cent of the miners are covered. This year, the 1d. per ton levy will expire, unless Parliament extends the period, and the Miners' Federation is pressing, rightly, for its maintenance. Among the many claims on building labour and material which will be put forward at the end of the war, the construction of pithead baths should have a high priority. The Government is making strenuous efforts to increase the mining labour force, and hopes to recruit 30,000 men by March, 1944, and another 50,000 between March, 1944, and March, 1945. Miners' welfare, in the broadest sense, is one of the most important aspects of the mining manpower problem. If men are to be attracted—or directed—into the pits and are to choose mining as their peacetime profession, it is essential that their conditions should be raised at least to the level of those in other industries, which start out with the advantage that they are safe, clean and healthy, by comparison with underground coal mining.

Shorter Notice

"The Stock Exchange Official Year-Book, 1943." Thomas Skinner and Co. (Publishers), Limited, 330, Gresham House, E.C.2. 3,144 pages and cxxxii. of Appendices. 80s. net.

"The Stock Exchange Official Year-Book" is once more available, despite all the difficulties of wartime production. Notwithstanding the difficulties of censorship, paper control and the growing shortage of labour, it is as comprehensive as ever, and there is little or no indication that the information contained is any less up to date than in recent years. In fact, there are two modest additions of considerable convenience to those concerned with stock markets, namely, a list of "marking names" recognised by the market and of the officers of the Joint Advisory Committee of Stock Exchanges, set up last year.

Books Received

France is a Democracy. By L. Lévy. (London) Gollancz. 157 pages. 5s. net.

The Financing of Large Corporations, 1920-39. By A. R. Koch. (New York) National Bureau of Economic Research. 139 pages. \$1.50.

Social Security. The Story of British Social Progress and the Beveridge Plan. By Sir Ronald Davison. (London) Harrap. 62 pages. 1s. 6d. net.

BUY 3% SAVINGS BONDS 1960 1970

- ★ Purchasable in multiples of £5
- ★ Interest paid half-yearly
- ★ Income Tax not deducted at source
- ★ May be sold quickly through your Savings Bank.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

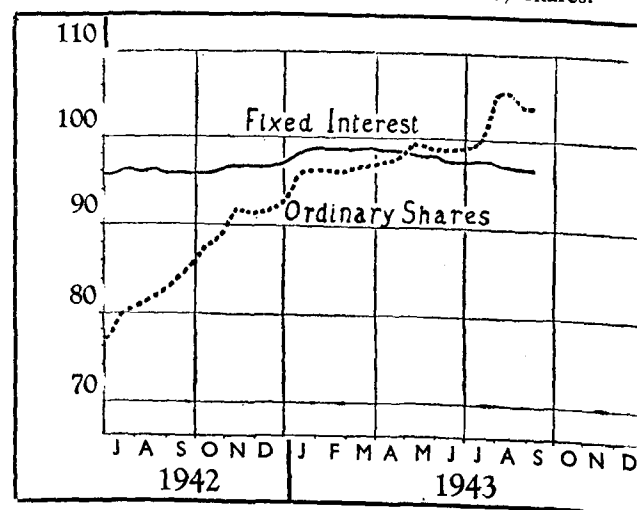
Business Notes

Fall in Activity

After the remarkable rise in July, during the second half of which alone the industrial share index of *The Financial News* rose by almost 5½ per cent, it is not surprising that there should have been some reaction in market prices. Actually, the fall in the four weeks to August 31st was only one-sixth of the rise in the preceding period of that length. The falling off in activity is clearly reflected in a reduction in the number of bargains received, but the full effects of July's developments have not yet worked themselves out. The rise and the reaction were, largely, concentrated upon market leaders. The more persistent type of investor is now busy searching for less-known shares. Some of these can still be obtained at prices which look attractive to him, after making full allowance for their reduced marketability. Thus, slight as is the August reaction in the index, it probably exaggerates the total movement in British industrial equities, as, indeed, it is intended to do, since this is a sensitive index. Pending the publication of the figures of *The Actuaries' Investment Index*, a study

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.



of some recent brokers' lists of equities is useful. This shows a very wide margin in the yields obtainable on what are considered post-war recovery shares and on shares of companies which are doing well out of the war. The margin is particularly great where the former class has been forced to reduce its dividends below pre-war levels. This generalisation is, however, only true, in an unqualified form, if the choice of shares is restricted to very well known concerns. The return on a large number of less-known shares which should do very well in the immediate post-war period is often as high as that on the war industrial. This condition is due to three factors: the inertia which prevents investors from making detailed investigations; the reduced marketability of the lesser-known shares; and the solid objection that it is often even more difficult to obtain information about the standing of managements of small concerns than of those which are more in the public eye. The last is an important factor, but the second need deter no investor who is certain of being able to wait to realise, including those who require only a small volume of such securities for "mixing" purposes.

Yesterday the country and the market entered the fifth year of war. The investor as such takes little account of anniversaries, and he is at present inclined to rest until some further light is cast upon the future. If he looks back over the past year, or over the full four years of war, he may conclude that things might easily be worse. EPT and other disabilities notwithstanding, his holdings in British industrial equities have improved some 20 per cent in value over the past year, on the basis of the figures of *The Actuaries' Investment Index* or *The Financial News*. On

either basis they are double the nadir of June, 1940. As against end-August, 1939, the latter index shows an appreciation of over 50 per cent, and although the figure of the former will be less satisfactory, it will probably be about 78 against under 58 in August, 1939. It is true that the fall in yield is almost as steep as the rise in price, but that is some evidence of faith in the future. These movements have gone hand in hand with a modest but steady rise in all classes of fixed interest stocks, only recently converted into a sagging tendency, mainly restricted to long-term Government stocks.

Four Years of War Finance

The weekly Exchequer return and the monthly debt statement, both published this week and both taking up the story of the national finances to Saturday, August 28th,

I. REVENUE AND EXPENDITURE (£ millions)

	FIRST YEAR Sept. 3, 1939 to Aug. 31, 1940	SECOND YEAR Sept. 1, 1940 to Aug. 30, 1941	THIRD YEAR Aug. 31, 1941 to Aug. 29, 1942	FOURTH YEAR Aug. 30, 1942 to Aug. 28, 1943	4 YEARS OF WAR
Expenditure	2,607,250	4,384,331	5,098,986	5,750,256	17,840,823
Loans repaid	113,584	112,389	15,818	14,759	256,550
Misc. items (net)	7,226	900	Cr. 7,604	Cr. 13,762	Cr. 13,240
Total	2,728,160	4,497,620	5,107,200	5,751,253	18,084,233
Revenue:—					
Taxation	1,105,121	1,575,222	2,165,966	2,664,007	7,501,316
Per cent of expenditure	(42.4)	(35.9)	(42.5)	(46.3)	(42.1)
Canadian Government Contribution	42,867	61,951	133,237	83,387	221,719
Other sources	42,867	61,951	133,237	83,387	335,382
Total	1,147,988	1,637,173	2,440,535	2,847,731	8,068,427
War Damage Fund surplus	1,580,172	19,891	3,827	83,387	33,381
Loans raised	2,840,556	2,662,838	2,662,838	2,899,859	9,963,455
Total	2,728,160	4,497,620	5,107,200	5,751,253	18,084,233

II. WAR LOANS (£ millions)

	FIRST YEAR £	SECOND YEAR £	THIRD YEAR £	FOURTH YEAR £	4 YEARS OF WAR £
NEW LOANS:—					
Floating debt:—					
Treasury bills:—					
Tender	336.0	134.0	5.0	195.0	670.0
Tap	424.3	482.7	143.0	224.0	1,274.0
Ways & Means Advances:—					
Public debts	11.5	153.2	40.5	58.8	264.1
Bank of England	1.0	1.0	Dr. 1.0	349.5	1,045.0
Deposit by banks	30.0	483.0	182.5	349.5	3,253.1
Total floating debt	801.8	1,253.9	370.0	827.3	3,253.1
2½% Nat. War Bonds	186.0	750.3	534.3	386.8	2,457.4
3% Savings Bonds	291.0	291.0	545.1	501.5	1,528.6
Nat. Savings Certificates	124.6	185.5	213.4	272.6	796.0
3% Defence Bonds	146.5	181.0	151.4	127.1	606.0
Savings Banks' Moneys invested in:—					
3% Nat. Defence Loans	...	(121.8)	(242.5)	(243.6)	(607.9)
3% Funding Loan	...	121.8	...	123.6	245.4
3% Term. Annty.	...	...	242.5	120.0	362.5
Tax Reserve Certificates	...	...	346.9	203.7	550.6
Other debt:—					
Internal	18.8	57.0	259.2	37.3	472.3
External	302.5	...	...	...	302.5
3% War Loan	1,580.2	2,840.5	2,662.8	2,899.9	9,983.4
Total	1,580.2	2,840.5	2,662.8	2,899.9	9,983.4
REPAYMENTS:—					
Total	113.7	112.4	15.8	14.9	256.8
Net Sum Borrowed	1,466.5	2,728.1	2,647.0	2,885.0	9,726.6

III. THE NATIONAL DEBT (£ millions)

	Sept. 2, 1939	Aug. 31, 1940	Aug. 30, 1941	Aug. 29, 1942	Aug. 28, 1943
Floating debt	1,167,000	1,969,000	3,223,000	3,593,000	4,420,000
Other internal debt	6,204,000	6,868,000	8,320,000	10,356,000	12,418,000
External debt	1,032,000	1,032,000	1,060,000	1,298,000	1,298,000
Total	8,403,000	9,869,000	12,603,000	15,247,000	18,136,000

complete the data required for a retrospect of war finance in each of the four completed years of this war. The essential figures are summarised in the accompanying tables showing, for each of the four years of war and for the complete period of 208 weeks, the revenue and the expenditure, the capital repayments and the new loans raised. The last are given in full detail. Finally, there is given the approximate state of the national debt at the end of each of these twelve-monthly periods. The features brought out by these tables are the crescendo of national expenditure over these four years; the improving ratio of tax revenue to total expenditure; and the comparatively small resort to floating debt borrowing. Gross borrowing in these four years amounted to £9,983 million against which repayment of pre-war loans and sinking fund payments totalled £257 million, leaving net borrowing of £9,726 million—about 54 per cent of the total expenditure incurred since the beginning of the war. Of that total, £3,253 million, or roughly one-third, has been raised by floating debt borrowing, while the amount subscribed by investors of all kinds to "dated" loans is £4,897 million. Of the balance, £608 million represents the special subscriptions of Post Office and Trustee Savings Banks to long-term loans, £550 million has been derived from tax reserve certificates and £372 million consists of "other debt" mainly external borrowing.

No Corner in Industrial Diamonds

While diamonds have long been used in industry, the demand for them as an abrasive has shown a marked increase since the outbreak of war. They are used widely in engineering and mining and, in the form of powder, in the preparation of tungsten carbide and other engineering tools. Industrial diamonds, in fact, are now a vital raw material. The suggestion was recently made in the *New York World Telegram* that supplies to America's war industries were in the hands of a British diamond syndicate and that, by agreement,

the syndicate feeds industrial diamonds to American industries in quantities sufficient only to meet current needs. The agreement carries every safeguard against building up a surplus in the United States which might break the syndicate's control after the war.

It is quite true that supplies of both gem and industrial diamonds from producing countries in Africa are controlled and handled by a central agency—the Diamond Trading Company. It is also true that the quantity of gem diamonds released by the Diamond Trading Company is restricted to protect producers and—incidentally—consumers from the effects of reductions in demand or increases in supply. But it would be a very serious matter indeed if the syndicate were restricting the supply of diamonds to industry. No doubt, the diamond monopoly has the power to do so. But there is no evidence at all that it is in fact doing so and thereby holding the war industries of the United Nations to ransom—which would indeed be intolerable. There appears to be no deliberate restriction of either production or sales, which are in fact made on the basis of pre-war prices. True, the maintenance of pre-war prices does not mean that the industry is making any sacrifice; the expansion in demand which has rendered possible the liquidation of stocks has probably added appreciably to the industry's profits. The monopoly has no control over the allocation of supplies of industrial diamonds, and there is no proof of any discrimination against the United States. Of course, the fact that diamond producers are not exercising their power to restrict the supply of an essential raw material, and are selling it at pre-war prices, does not in itself justify the existence of a producers' monopoly. The monopoly has not abused its power—there is no corner in industrial diamonds—but it can always do so.

Building Society Concentration

In view of the small average size of building societies, the news of the projected fusion of Abbey Road with the National may, at first, seem rather odd. The two societies are, respectively, the second and the sixth largest in the country. It is tempting to ask whether it would not be better to continue concentration by the grouping of really small units, some of which are certainly not able to render all the services which the larger unit ought to be able to

give. It may be doubted, however, whether, except within very wide limits, size is the proper criterion, and, even if it is, the projected Abbey National, with total assets of some £80 millions, will be of moderate stature compared with the £126 millions odd of the Halifax. As in other fields, the objective should be to secure a balance between undue duplication and the creation of monopoly. By this criterion the Abbey National fusion is, potentially, a step in the right direction. Potentially, because neither directors nor staff of either society is to suffer from the fusion, so that immediate economies would seem to be restricted to some saving in the rent of overlapping branches plus, possibly, some increased service to customers. There is, apparently, no question of direct competition either in securing cash or in giving more favourable terms to would-be borrowers. Both societies deprecate the cutting of rates, except by national agreement, and it seems probable that concentration will have to proceed further before that is possible, while it is far from certain that a more closely knit movement would find lower rates very acceptable. None the less, the avowed object of the fusion is to increase the two societies' contribution to the good of their own members and of the community as a whole. If it results in economies, and these are used, either to give greater flexibility to the terms of purchase—or renting, for the societies are pledged to investigate that field—or to give the would-be borrower an assurance that he is getting real value for his money, it will have helped the movement to take a step forward.

Revised US Currency Plan

The official summary of the United States Treasury's revised proposals for an International Stabilisation Fund brings out a number of amendments other than those dealt with in *The Economist* last week—which were the stepping up from 12½ to 50 per cent in the proportion of each member nation's quota that must be paid in gold and the provision that only during the first three years will changes in foreign exchange rates be permitted without a three-fourths majority. The revision of the gold clause is not quite so unrealistic as might at first sight appear, for the plan states that "a country with inadequate gold holdings may have its gold contribution reduced." Most of the other amendments have evidently been introduced in deference to ultra-conservative criticism of the first draft, which was held by certain American banking quarters to be altogether too "starry eyed." Thus it is categorically stipulated in the revised version of the plan that "the resources of the Fund shall be used exclusively for the benefit of the member countries." The obligation which was laid on member countries by the original draft to sell to the Fund, in return for its local currency or for foreign exchange, all the gold or foreign exchange which it might acquire in excess of its official holdings at the time it became a member of the Fund is now reduced by half. According to the revised version only 50 per cent of that excess must be compulsorily sold to the Fund. The provisions for transferring abnormal blocked balances to the Fund have also been considerably attenuated; there is no attempt in the revised plan to formulate a long-term plan for the transfer and repayment of these balances. Instead, it is stated that, during the first two years, the Fund may buy from member countries blocked balances held in other member countries not exceeding in the aggregate 10 per cent of the quotas—a contribution which would make little impression on the problem of abnormal sterling balances, since the global quota for all member countries, namely, \$5,000 million, is smaller than the total of these sterling balances promises to be. In the matter of voting rights there is some indication of give and take. The revised plan reduces from one-fourth to one-fifth the proportion of the aggregate basic votes which may be held by any one country. This amendment removes the possibility of an American veto on all fundamental decisions, which require a three-fourths majority. Against this concession, however, the revised plan provides for an increase in the votes of creditor countries and a decrease in those of debtor countries, when voting on the sale of foreign exchange. The revised plan maintains its demand that member countries should abandon exchange restrictions except on capital transfers, and goes out of its way to emphasise a point which had already been stressed in the original draft, namely that "the Fund shall deal only with member Governments and their fiscal agents and not intrude in the customary channels for conducting international commerce and finance."

Anglo-Iranian Taxation

The accounts for last year of Anglo-Iranian Oil, summarised on page 347 make an excellent showing, the net profit, after meeting royalty payments and local taxation, being more than doubled and the total net revenue, before tax, the highest on record. Even after meeting home taxes and making heavy special appropriations, it is possible to raise the ordinary dividend from 7½ to 20 per cent, with a reasonable margin for addition to the carry forward. This is reassuring so far as it goes, but the value of the accounts as a guide to future earning power is completely vitiated by the fact that there is still no disclosure of the real EPT position. The chairman, Sir William Fraser, makes it clear that the Retainable profit of some £7,800,000 would be lower but for the fact that an EPT deficiency was carried forward from earlier years, but there is no indication of the extent of this credit. It is in consequence quite impossible to say what will be available in any future period. This is a matter of the very first interest to shareholders and potential investors, and the information ought not to be withheld unless there is very good reason to believe that its disclosure would be damaging to the national interest. It would appear that it cannot be the censorship which is responsible, for, if the enemy is interested in any figure of the company, less informative than its turnover, it is its gross profit, not the assessment of the Inland Revenue as to what its earnings were in the base period. Unless the censorship is unreasonable, directorates are withholding, of their own initiative, company information which is vital to the members, whose servants they are.

Unwilling Sellers

Reports that there was considerable dissatisfaction with the price offered for the ordinary shares of Short Brothers (Rochester and Bedford) and that the matter was to be submitted to arbitration are now proved accurate. Messrs William Charles Crocker have, during the past week, issued a letter stating that shareholders, representing a substantial proportion of the 831,000 odd ordinary and "A" ordinary shares, intend to exercise the right to challenge the price, and inviting those of like opinion to join with them. The price fixed was the middle Stock Exchange quotation of 29s. 3d. on the day the official controller was appointed. The letter states that such a quotation cannot, in any circumstances, be taken to represent the true value of the whole of the company's share capital. As stated, this is a direct challenge to the doctrine that the market price is, in normal circumstances—and it does not appear to be suggested that the circumstances were abnormal—the best valuation available, and it will be interesting to see what arguments are put up to rebut that view. There remains, however, a point which does not emerge from such summaries of the letter as are available, namely, the fact that the "A" ordinary shares, of which there are 250,000, carry a million votes and so would give complete control, even if a default on the preference dividend gave that class of capital the right to vote. There does not appear to have been any substantial body of litigation in this country concerning the value of voting rights as distinct from the right to receive dividends. It would seem to be arguable that a special value might attach to this right which would justify the payment of a higher price for the "A" shares, previously held privately and for which there is no question, than for the ordinary. This point is not, however, made in the circular.

Costings for Wool Textile Trade

On September 6th the Wool Yarn and Wool Cloth (Maximum Prices and Charges) Order, 1943 (S.R. & O., 1943, No. 1187), comes into operation. Except in one or two minor sections, all prices for wool textiles are now controlled. The Order lays down rules for costing yarn and fabrics, which take account of the state of activity; it is the result of the impasse to which the industry has been brought by previous Orders. Since the inception of the utility scheme, all utility fabrics have had to comply with certain conditions and sell within certain price ranges. For a year, all other fabrics have had to be sold at prices not exceeding those which the manufacturer secured for them in June, 1942. Several advances in production costs have had to be met by the spinner and manufacturer,

mainly wages and dyeing and finishing charges. The result was that those fabrics containing most labour and most dye-ware could not be made at a profit. (The Wool Control has kept the issue price of raw materials steady, and has just announced that it will remain unchanged until the end of February next year.) The Board of Trade has had to admit that, if maximum prices are fixed for finished goods, but wages and processing costs are allowed to advance, the result is a poorer quality finished article. To overcome this difficulty, new specifications of utility cloth have been admitted, mostly of the better-class fabrics, at increased prices, so that their manufacture, which had gradually been forced to cease, may now continue. For non-utility cloth, the spinner and manufacturer had arrived at the point when they must either go into a worse type of trade or out of business. One of the factors in increasing production costs during the past year has been the larger amount of machinery standing idle due to withdrawal of workpeople and the reduction in export fabric trade. In some sections there has been a decline in the amount of Government orders, and the reduction in activity means increased overheads on the active plant.

By the new Order, which, incidentally, indicates the change in the activity of the industry since last year, the cloth producer is given the choice of charging a profit varying between 4½ and 6 per cent on his costs of a year ago, plus 17½ per cent, or the same margin of profit on his present costs, whichever may be the lower. In other words, if he can make a cloth to-day at a smaller advance in costs than the general advance that has occurred in the industry, he is not allowed to take the difference for himself. The following table has been extracted from the Order and refers to machinery activity, which is taken into account in the method of costing:—

Type of Firm	Assumed Activity in June, 1942	Assumed Activity in July, 1943
	%	%
West Riding spinner manufacturer....	90	72½
West Riding weaver	52½	62½
West of England weaver.....	66½	62½
Scottish weaver	66½	66½
Huddersfield fine worsted weaver.....	62½	52½

The woollen sale yarn spinner is assumed to have run at 90 per cent of capacity a year ago, against the present rate of 72½ per cent. There appears to be nothing in the Order about the carpet weaver, who has virtually been closed down by the Board of Trade for more than a year, nor is there anything about the carpet woollen spinner, who is now struggling to make a pittance by spinning a few apparel yarns. Apparently he will have to cost on a 72½ per cent activity for his yarn, even though he may only be running 40 per cent of his plant. The Order makes history by imposing a system of costing upon one of the most individualistic industries of Great Britain.

Utility Furniture

The issue of permits to buy utility furniture, suspended on July 20th, because demand had outrun supply, was resumed on September 1st. Since production could not be increased to satisfy demand, the Board of Trade was faced with the alternative of making fewer people eligible to obtain the furniture or reducing the amounts they could buy. The latter course has wisely been chosen. The classes of claimants remain unchanged; people whose homes have been bombed, who are setting up house because they have young children or are expecting a child, couples married on or after January 1, 1941, those about to set up house on marriage, and those who need a bed for a growing child. The maximum number of units to be issued to a couple is reduced from 60 to 30, but seven extra units are allowed for each additional member of the household, including babies. Nursery furniture can still be obtained permit free. The number of units required for a bed-settee has been reduced from 15 to 10, for a divan from 8 to 6, and for a bed-chair from 7 to 6. These reductions may be a reflection of relatively low demand for these articles. The allowance of 30 units is barely sufficient to furnish one room—a bed and the smaller wardrobe and dressing-chest take 21 units—so that a permit to buy furniture can do little more now than to assist in the furnishing of a home. Presumably more second-hand furniture may be bought, but in general it is more costly than utility furniture. It is a pity that

2½% National War Bonds, 1952-1954.

Interest payable half-yearly on the 1st March and 1st September.
A first interest payment will be made on the 1st March, 1944.

PRICE OF ISSUE £100 PER CENT.

PAYABLE IN FULL ON SUBSCRIPTION.

Bonds of this issue are an investment authorised by The Trustee Act, 1925, and The Trusts (Scotland) Act, 1921.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND, by authority of the Lords Commissioners of His Majesty's Treasury, offer the above Bonds for subscription. Subscriptions will be received on Wednesday, 1st September, 1943, and thereafter until further notice in the "London Gazette." Subscriptions may be lodged at any office of the Banks hereafter mentioned.

Subscriptions must be in multiples of £50 with a minimum of £50. Subscriptions must be accompanied by the full amount payable in respect thereof.

The Principal of and Interest on the Bonds will be a charge on the Consolidated Fund of the United Kingdom.

If not previously redeemed, the Bonds will be repaid at par on the 1st March, 1954, but His Majesty's Treasury reserve to themselves the right to redeem the Bonds in whole or in part, by drawings or otherwise, at par on, or at any time after the 1st March, 1952, on giving three calendar months' notice in the *London Gazette*.

The Bonds will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable by instrument in writing in any usual or common form in accordance with the provisions of the Government Stock Regulations 1943.

Bonds will be transferable in sums which are multiples of one penny. Transfers will be free of Stamp Duty.

A first interest payment, calculated from the date on which the subscription accompanied by payment is lodged to the 1st March, 1944, will be made on the 1st March 1944; thereafter interest will be payable half-yearly on the 1st March and 1st September. Interest will be paid by warrants transmitted by post and Income Tax will be deducted from payments of more than £5 per annum. The first interest payment will in all cases be payable to the original subscribers or to their nominees.

The Bonds and the interest payable from time to time in respect thereof will be exempt from all United Kingdom Taxation, present or future, so long as it is shown in the manner directed by the Treasury that they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. Further the interest payable from time to time will be exempt from United Kingdom Income Tax present or future, so long as it is shown in the manner directed by the Treasury that the Bonds are in the beneficial ownership of persons not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

These exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from Income Tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Subscriptions, which must be accompanied by payment at the rate of £50 for each £50 of Bonds subscribed, may be lodged at the Bank of England Loans Office, E.C.2, or at any office of the following Banks:—

IN GREAT BRITAIN:

Bank of England,
Bank of Scotland,
Barclays Bank, Ltd.
British Linen Bank,
Clydesdale Bank, Ltd.
Commercial Bank of Scotland, Ltd.
Co-operative Wholesale Society, Ltd.
Coutts & Co.
District Bank, Ltd.

Glyn Mills & Co.
C. Hoare & Co.
Grindlay & Co., Ltd.
Isle of Man Bank, Ltd.
Lloyds Bank, Ltd.
Martins Bank, Ltd.
Midland Bank, Ltd.
National Bank, Ltd.
National Bank of Scotland, Ltd.

National Provincial Bank, Ltd.
North of Scotland Bank, Ltd.
Provincial Bank of Ireland, Ltd.
Royal Bank of Scotland,
Union Bank of Scotland, Ltd.
Westminster Bank, Ltd.
Williams Deacon's Bank, Ltd.
Yorkshire Penny Bank, Ltd.

IN NORTHERN IRELAND:

Bank of Ireland,
Belfast Banking Co., Ltd.
Hibernian Bank, Ltd.

Munster & Leinster Bank, Ltd.
National Bank, Ltd.
Northern Bank, Ltd.

Provincial Bank of Ireland, Ltd.
Ulster Bank, Ltd.

A commission of 1s. 3d. per £100 nominal subscription will be paid to Bankers or Stockbrokers on subscriptions bearing their stamp.

Subscriptions must be made on the printed forms which may be obtained, together with copies of this Prospectus, at the Bank of England Loans Office, London, E.C.2, or at any of the Branches of the Bank; at the Bank of Ireland, Belfast; of Messrs. Mullens & Co., 13, George Street, Mansion House, E.C.4; or at any Bank or Stock Exchange in the United Kingdom.

BANK OF ENGLAND, LONDON.
31st August, 1943.

N.B.—Separate Prospectuses relating to 2½% National War Bonds, 1952-1954, to be held on the Post Office Register will be issued by His Majesty's Postmaster-General (and may be obtained at any Savings Bank Post Office or Bank), and by the National Debt Commissioners on behalf of Trustee Savings Banks. The amount subscribed by any person under the Prospectuses issued by His Majesty's Postmaster-General and by the National Debt Commissioners must not exceed £1,000.

the Board of Trade has not announced how long a delay is to be expected between ordering the furniture and its delivery. There are now 158 firms making the furniture, and further designation is not contemplated, except in so far as it may be necessary to level up production of particular items in particular areas. Thus the Board of Trade now knows what production can be expected.

The Marginal Producer

Owing to the pressure of war demand, the output of many raw materials has had to be extended to the limits of capacity. The need for utilising high-cost capacity has given rise to interesting problems of pricing. The fixing of prices at a level at which high-cost producers can make a profit involves the payment of excessive prices to low-cost producers. This problem does not arise in industry, where separate contracts are fixed with individual firms. In the case of raw materials, the adoption of the system of individual contracts would have caused administrative difficulties of no mean order. The solution which has been adopted for certain materials in this country and in the United States has been to fix standard prices high enough to yield reasonable profits to the majority of producers, but not high enough to bring in high-cost capacity; marginal producers are paid a premium over the standard price in order to secure their output. This system has been adopted with success in the British iron and steel industry, and it is also applied to coal. Producers in both industries have to pay a levy on output, which is used to compensate the marginal producers. In the United States the device has been applied to domestic producers of copper, zinc and lead, for example; it has been estimated that the premiums paid to them will reach the annual rate of \$80 million by the end of this year. The system was introduced in February, 1942, because the standard prices—12 cents per lb. for copper, 8.25 cents per lb. for zinc, and 6.50 cents per lb. for lead—were unlikely to encourage production to the limit. By the method adopted, which will remain in force until January, 1945, all producers receive premiums

—5 cents per lb. for copper, 8.25 cents per lb. for zinc, and 5.50 cents per lb. for lead—for any output above the 1941 level. The economies achieved by this policy have already been substantial. On the basis of production in 1941, amounting to 2,100,000 tons for the three metals, an overall increase in prices of 1 cent per lb. would have added \$42 million to the bill; an increase of 5 cents per lb. would have cost an additional \$210 million. This method of fixing prices has been a useful expedient in conditions of wartime scarcity; although its application in peace is likely to be limited, it has interesting possibilities—both good and bad from the community's standpoint.

Coal as a Raw Material

Hitherto the research work of the Mining Association, through the British Coal Utilisation Research Association and other organisations interested in fuel economy, has been directed mainly towards the utilisation of a larger percentage of the potential energy in coal. The progress made in recent years has been substantial, and in some branches of industry spectacular. In its recent memorandum on "Coal Research and the National Economy" the Parliamentary and Scientific Committee stated that, between 1913 and 1938, the percentage of the energy recovered had been increased from 15 to 30, and that there were some industrial installations today working with an overall efficiency exceeding 60 per cent. It is probable that these achievements have been excelled under the war-period economy campaign of the Ministry of Fuel and Power. Latterly, however, increasing attention has been paid to the need for the fuller exploitation of the natural wealth of coal as a raw material for chemicals. Last May the BCURA announced a scheme by which £1,000,000 is to be spent over the next five years, partly for this purpose and partly on a more intensive research into methods of coal combustion; but the discussion provoked by the memorandum of the Parliamentary and Scientific Committee, and particularly by the speeches in the debates on the subject of scientific research in the House of Lords on July 15th and 20th, seems to have convinced the coal-

mining industry of the urgency of the need not merely of scientific research but for the immediate and vigorous development of processes for the production of hydrocarbons and hydro-carbon derivatives from coal. On the recommendation of the Central Council of Coal Owners, the industry is shouldering this responsibility. A preliminary programme, involving the expenditure by the end of 1945 of between £400,000 and £500,000 (to be raised mainly by a small levy on output) has already been prepared, but the promoters of the scheme hope to secure the co-operation of interests outside the coal industry which may be engaged in related research activities; and it is understood that the Department of Scientific and Industrial Research has not only given the project its blessing, but promised its active support. It is the future of the coal-mining industry in relation to the expansion of the chemical industries that the scheme has primarily in view; the Parliamentary and Scientific Committee has outlined the task in these words in its memorandum:

The chemical treatment of coal must be attacked with all the resources of pure science and engineering skill. Every branch of chemical industry in Great Britain is entitled to look to coal to supply its raw materials and intermediates. Fertilisers for agriculture, dyestuffs and chemicals, plastics, synthetic rubber, soaps, lubricants, and, perhaps most important of all, liquid fuels, and especially high octane spirit for aviation, can and should be produced from coal.

Absenteeism in ROF

The Industrial Health Research Board of the Medical Research Council has published the results of a study of absenteeism among women war workers at two selected Royal Ordnance Factories. The inquiry, which was undertaken on random samples of the personnel, covers two periods of six weeks ended on August 11, 1942, and June 27, 1943. It is limited in scope, covering only about 1,300 workers, and there is no suggestion that it is representative of conditions in industry as a whole; nevertheless, it throws an interesting light on a problem which is common, in greater or less degree, to all war factories, and about which singularly little statistical information has been made available. The data collected confirm many tendencies which have already been observed in connection with the problem of absenteeism, for instance, that more time is lost by married women than by single women. While the percentage of women in the two factories who were absent for some part of the six weeks was 84.5 and 70.5, respectively, the proportion of married women was 87.9 and 75.9 per cent, and that of single women 82.1 and 63.1 per cent. The incidence of absenteeism was highly irregular, very few women losing one or two shifts each week; but the absence of married women tended to be spread over a greater number of weeks than those of single women. Younger women up to 25 years of age lost more time than older women. The rate of absenteeism was noticeably higher on the morning than on the afternoon or night shifts; it was highest on a Saturday, and lowest on pay-day. There would not seem to be any direct correlation between absenteeism and travelling time, though the rate tended to increase over and above a period of 60 minutes taken to reach the factory. The inquiry revealed that absenteeism was far higher in the larger of the two factories examined; this divergence was attributed to the fact that it employed five times as many women, was situated in an isolated position, and had expanded rapidly. The investigation was primarily concerned with the amount and distribution of absenteeism, and no attempt is made to analyse its causes or to break it down (as is done for the mines) into voluntary and involuntary absenteeism. But the conclusion is drawn that, in view of the irregular nature of absenteeism, its incidence should be studied from a personal standpoint, and individual methods of treatment should be upheld. The fact that the rate is highest among married women seems to indicate that far more attention still needs to be paid to easing the domestic responsibilities of married women who have entered industry.

Austin Debenture Conversion

In commenting on the original plan for financing the redemption of the 5 per cent first mortgage debenture stock of the Austin Motor Company by an issue of preference shares, it was pointed out in *The Economist* of April 24th that there would be some disappointment that the new capital was to be privately placed. This proved to be an understatement, and it is a matter of satisfaction that those responsible, whether the company or the Treasury, have

reversed their original decision. In consequence, holders of £944,280 5 per cent debenture stock, repayable at 103 on January 1, 1944, are to have the option of accepting, instead of cash, the new 4½ per cent cumulative redeemable preference shares of £1 at 20s. 3d. per share on a pound for pound basis. That is to say, there is a choice between £103 in cash or £100 preference shares and 35s. in cash. On this basis the new investment gives only the modest yield of 4.44 per cent, compared with an average for manufacturing preferences of 4.37 per cent, according to the figures of *The Actuaries' Investment Index* at the end of July. Looking back over the vagaries of the motor industry during recent decades, this seems a meagre return, and it is far from clear what the outlook will be once the post-war restocking movement is over. If the British Government, instead of protecting the home market, facilitates the production of suitable cars for export, and if the world is prepared to accept reasonable freedom of trade, the outlook may be very good, but there is so far no assurance that this desirable object will be achieved. So, on a long view, the return offered is perhaps not very attractive. But, on the short, it would not be easy to find alternative investments of greater merit. It is some disadvantage to the holder that the new preference shares can be redeemed by purchase below the redemption price of 21s.; but on the showing of the latest balance-sheet, dated July 31, 1942, they are covered over three times by fixed assets and twice by net liquid assets, five times in all, while the average available profits of the past six years, 1935-36 to 1940-41, cover the dividend 18 times and the total service, calculated to redeem the whole issue by 1978, some 12½ times, even if the issue is extended to the limit of £1,000,000. The offer closes on September 14th, and it is very regrettable that there is no hope of the accounts for the past two years being available by then.

The Future of Tin

The occupation by Japan of Far Eastern tin-mining countries, which formerly supplied two-thirds of the world's total demand for this metal, has compelled the United Nations to encourage the expansion of production in other countries—especially in the Belgian Congo and Nigeria—and to economise in the use of tin by the introduction of new methods, such as the electrolytic tinning process. Both these factors are likely to have permanent effects on the demand for tin. Moreover, other materials, such as light metals and plastics, are likely to compete with tin to a growing extent. This does not, necessarily, mean that the consumption of tin will show a permanent decline which would be aggravated by the war-time extension of capacity when the Far-Eastern mines have been re-equipped. Tin has many properties which should assure it a growing demand. It is not surprising, therefore, that the industry is taking steps to intensify research and development work. It is understood, for example, that the Malayan Chamber of Mines in London has asked the Colonial Office to assist in this work by subsidising the Tin Research Institute, whose director is reported to have prepared a detailed programme of post-war research. But much will depend on the industry's price policy after the war. An excessive price might defeat the industry's object of finding new markets for the metal.

Company Results

Anglo-Iranian Oil.

	Years to December 31, 1942	1941	1940
Total income	5,826,191	6,222,175	12,711,628
Taxation	2,975,156	2,900,652	4,917,846
Extra depreciation	625,000	625,000	2,000,000
Directors' fees	9,126	9,176	9,500
Preference divs. (gross)	1,071,234	1,071,234	1,071,234
Prof. stock reserve	...	...	500,000
Earnings on Ordinary	1,145,675	1,596,081	4,219,048
Paid on Ordinary (gross)	1,006,875	1,510,313	4,021,500
Earnings %	5	8.4	21.9
Paid %	...	7.4	...
Carry forward	1,101,351	1,187,119	1,378,667

	1942	1941	1940
Net fixed assets	9,643,851	8,312,117	9,008,294
Net inter-company items	27,201,955	23,414,062	17,600,414
Net liquid assets	99,297	5,304,692	11,113,711

	1942	1941	1940
Gross liquid assets	17,196,464	23,120,442	40,577,387
Govt. securities	3,590,387	6,918,980	8,551,624

† After £1,000,000 to war contingency and deferred repairs account.
* Excludes £7,000,000 tax reserve certificates.

The £1 ordinary stock quoted at 108s. 9d. yields £3 14s. 7d. per cent.

The STOCK EXCHANGE
Investors are invited to apply for Government Loans through
THEIR STOCKBROKER

3% Savings Bonds 1960/70
2½% National War Bonds 1952/54
are at present on sale @ 100.

There are also
3% Defence Bonds

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

AGGREGATE ASSETS at 31st March, 1942, £39,317,106

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.

Head Office: WELLINGTON, N.Z.
H.R.H. Chalmers, General Manager.

LONDON OFFICE: 1 Queen Victoria St. E.C.4
John Forbes, Manager.

THE NATIONAL BANK OF SCOTLAND LIMITED

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.

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL INSURANCE COMPANY
ASSETS EXCEED £18,500,000

FIRE LIFE ACCIDENT MARINE

Edinburgh: 35, St. Andrew Square.
London: Northgate House, 20/24, Moorgate, E.C.2 and 45, Pall Mall, S.W.1.

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.

Commercial Manager, qualified engineer, long experience at home and abroad in the administration of subsidiary manufacturing and selling companies, seeks immediate appointment. Age 48. Highest credentials. Write Box 29, *The Economist*, Brettenham House, Lancaster Place, W.C.2.

Statistician required for Production Controls Department in Die-casting and Machine Shop Factory for calculating machine hours and man hours loaded and free, final costs and general statistics. State age and salary required. Box 30, *The Economist*, Brettenham House, Lancaster Place, London, W.C.2.

COMPANY MEETINGS

WATNEY COMBE REID AND COMPANY, LIMITED

COLONEL O. P. SEROCOLD'S SPEECH

The ordinary general meeting of Watney Combe Reid and Co., Ltd., was held in London on the 30th ultimo.

Col. O. P. Serocold, C.M.G., the chairman, in the course of his speech, said: Since we last met there has been a further increase in the Beer Duty, involving yet another 1d. a pint. The Chancellor has budgeted for a revenue from beer in excess of £250 million during the current financial year. Physical difficulties and depletion of our labour force render it impossible for us to maintain the elasticity of output which in normal times enabled us to meet upward fluctuations in demand. I will not enlarge on the many things which, owing to war conditions, we have been unable to do, but prefer to report that our three breweries and our bottling stores have been working very well under most difficult circumstances, in which I can foresee little prospect of relief.

TRANSPORT ECONOMIES

To meet the requirements of the Ministry of Transport, brewers have effected considerable economies in the carriage of beer, both by means of area interchanges of trade and by transferring traffic from road to rail. The whole subject is a complex one, requiring continued patient investigation on the part of those dealing with the question. Summary action might well lead to whole areas going short of beer, since the location of breweries and the demands for beer are not geographically in step.

While the war has been going on, a measure which is now called The Catering Wages Act has, without previous enquiry, been introduced and passed by both Houses of Parliament. There may well be wide room for differences of opinion as to its merits, but, as it is the elementary duty of the good Englishman to make the best of the laws given to him by Parliament, it behoves all of us in any way connected with the liquor trade—wholesalers and retailers alike—to do what we can to make the Act effective for the good of all classes engaged in what may very roughly be called "The Catering Trade."

WAR DAMAGE AND REPLANNING

I informed the stockholders a year ago that legislation effected in the Finance Act, 1942—helped to some extent by representations from the Liquor Trade—had provided for the maintenance in suspense of licences of houses destroyed or damaged by enemy action or closed on account of the destruction of the surrounding neighbourhood. These provisions are still in force and will

continue until the licences come into effective operation again. The future of all such licences will be intimately affected by the proposals and schemes about reconstruction and replanning of the bombed areas, which must take effect, in some shape or other, after the termination of the war.

As I said last year, we have a number of licensed premises in these categories and there is little doubt that it will not be expedient to re-open some of them on the sites on which they previously existed, and I recognise that a number of removals to fresh sites is more than likely to follow. It is common ground that the provisions of the Licensing Law as to removals were not intended for, and are not suited to, the circumstances which have arisen, or may still arise, from enemy action, and that the Replanning Authorities must be given wider and more direct powers without interfering unduly with the functions and powers of the licensing justices.

WM. COOPER AND COMPANY PURCHASE

Investments in subsidiary companies include the Ordinary share capital of William Cooper and Co., Ltd., of Southampton, acquired during the year. Investments in Government securities, tax reserve certificates and cash at bankers total just under £2½ millions. A more accurate estimate of the current percentage increase applicable to the cost of repair work had shown it to be prudent but by no means excessive to add £400,000 to the existing reserve of £280,000.

The report and accounts were unanimously approved.

W. J. BUSH AND COMPANY, LIMITED

SATISFACTORY RESULTS

The forty-sixth annual general meeting of W. J. Bush and Co., Ltd., was held, on the 27th ultimo, at the Great Eastern Hotel, Bishopsgate, London, E.C.

Dr Percy C. C. Isherwood, O.B.E., Ph.D., F.I.C., the chairman and managing director of the company, presided.

The Secretary (Mr. D. E. Arnold, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following is the review of the chairman on the year's working of the company, which was circulated with the report and accounts, and taken as read at the meeting: Your directors consider that under existing conditions it is again desirable to dispense with the usual review of the past year's working by the chairman and for me to provide a brief statement to accompany the report and statement of accounts for the year 1942.

During the period under review the company has felt the effect of the spreading of the war to the Far East. This has not only deprived us of markets for the sale of our products, but caused a cessation of the sup-

plies of raw materials normally obtained from some of these territories. In spite of these adverse features, the company has, in the opinion of your directors, been able to achieve satisfactory results.

A very considerable proportion of the year's profits is required to meet taxation and your directors have considered it desirable to charge excess profits tax before arriving at the net profit. For the convenience of members, the 1941 figures shown on the accounts for comparison have been adjusted accordingly.

I am pleased to report that our branches and subsidiaries throughout the world have, in spite of many difficulties, maintained a satisfactory position.

The chairman moved the adoption of the report and accounts.

Mr. H. B. Bush (managing director), seconded the resolution and it was carried unanimously.

The final dividend of 6 per cent. on the Ordinary shares, making, with the interim dividend already paid, 10 per cent. for the year, was declared.

The retiring directors, the Rt. Hon. Lord Hayter, Lieut. E. L. Bush and Mr W. J. Thomas, were re-elected, and the auditors, Messrs. Turquand, Youngs, McAuliffe and Co., were reappointed.

Mr T. E. Binsted proposed a hearty vote of thanks to the chairman, directors and staff, and congratulated them on the excellent results submitted.

The vote was cordially approved, and the chairman, acknowledging the compliment, said that no company could have a more loyal and efficient staff, both at home and overseas, and their relations with all their workpeople had always been most cordial. He felt that every one of them had the interests of the company at heart.

The proceedings then terminated.

A. AVELING-BARFORD, LIMITED

The meeting of Aveling-Barford, Limited, was held on the 1st instant, at Grantham, Mr Edward Barford, M.C., the chairman, presiding.

The following is an extract from the total chairmans circulated statement: The total amount paid or payable on account of E.P.T. up to March 31st is in the neighbourhood of £450,000 and income tax liability during the same four-year period is approximately £160,000. The enormous figure for E.P.T. is due to the fact that our so-called "standard" is less than half our actual pre-war profit. It does indeed seem paradoxical when it is the new works and re-organisation of the business which has enabled the company to make such a big contribution to the war effort.

During the year under review a further increase in production was achieved and the company looks forward with restrained optimism to its part in the reconstruction of this country and of a stricken world.

GOVERNMENT RETURNS

For the week ended Aug. 28th, 1943, total ordinary revenue was £65,682,000, against ordinary expenditure of £79,179,000, and issues to sinking funds of £30,000. Thus, including sinking fund allocations of £3,610,958 the deficit accrued since April 1st is £1,285,631,000 against £1,181,035,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Aug. 29, 1942	April 1 to Aug. 28, 1943	Week ended Aug. 29, 1942	Week ended Aug. 28, 1943
ORDINARY REVENUE					
Income Tax	117,500	234,026	298,733	8,555	15,633
Excise	80,000	10,610	10,375	370	170
Stamp Duties	100,000	39,968	40,776	1,325	1,696
ND.C.	17,000	5,560	6,490	207	700
E.P.T.	500,000	116,498	178,803	7,917	11,467
Other Ind. Rev.	1,000	250	168	10	...
Total Ind. Rev.	187,500	417,172	545,536	18,545	29,666
Customs	525,320	184,849	215,978	7,265	8,353
Excise	450,180	176,895	199,533	21,695	26,073
Total Customs & Excise	975,500	361,744	415,611	28,960	34,426
Motor Duties	25,000	4,433	3,609	...	...
Contrib. to P.O. (Net Receipts)	...	141,332	...	...	...
Wireless Licences	400	8,750	1,260	270	220
Crown Lands	800	440	450	80	70
Sundry Income	4,100	960	1,931	82	...
Miscell. Receipts	24,000	43,821	34,296	4,416	1,300
Total Ord. Rev.	2907500	979,813	1,002,693	50,854	65,682
SELF-BALANCING P.O. & Broadcasting	110,632	40,600	44,850	3,200	2,600
Total	3018132	1,020,413	1,047,543	54,054	68,282

Expenditure	Estimate 1943-44	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Aug. 29, 1942	April 1 to Aug. 28, 1943	Week ended Aug. 29, 1942	Week ended Aug. 28, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	143,058	157,023	718	869
Payments to N. Ireland	9,500	3,018	2,680	335	24
Other Cons. Fund Services	7,500	3,447	3,261	7	...
Supply Services	392,000	149,523	162,964	1,060	893
Total	5366751	208,102	212,749	108,773	78,286
Total Ord. Exp.	5758751	215,762	228,471	109,833	79,179
SELF-BALANCING P.O. & Broadcasting	110,632	40,600	44,850	3,200	2,600
Total	5869383	219,822	232,953	113,033	81,779

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £29,995 to £2,782,546, the other operations for the week (no longer shown separately) raised the gross National Debt by £12,801,464 to £18,137 million.

NET ISSUES (£ thousands)	
Post and Telegraph	200
Foreign Trade Guarantees	32
Total	232

NET RECEIPTS (£ thousands)	
Post Damage	...

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Public Depts.	Bank of England	
1942				
Aug. 29	975.0	1668.3	254.4	695.5
1943				
May 29	1065.0	1885.9	233.3	983.5
June 5	1080.0	Not available	...	...
" 12	1095.0	"	"	"
" 19	1110.0	"	"	"
" 30	3028.2	244.4	55.0	925.5
July 3	1140.0	Not available	...	...
" 10	1155.0	"	"	"
" 17	1165.0	"	"	"
" 24	1170.0	1899.1	309.0	973.5
Aug. 7	1170.0	Not available	...	...
" 14	1170.0	"	"	"
" 21	1170.0	"	"	"
" 28	1170.0	1892.4	313.2	1045.0

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment		Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted	%		
1942				s.	d.	
Aug. 28	75.0	151.4	75.0	20	0.71	39
1943						
June 4	90.0	154.5	90.0	20	0.80	46
" 11	90.0	152.8	90.0	20	0.78	47
" 18	90.0	160.8	90.0	20	0.69	42
" 25	90.0	165.2	90.0	20	0.47	42
July 2	90.0	173.5	90.0	20	0.37	38
" 9	90.0	180.2	90.0	20	0.28	35
" 16	90.0	175.4	90.0	20	0.00	33
" 23	90.0	164.6	90.0	20	0.29	40
" 30	90.0	182.8	90.0	19	11.91	30
Aug. 6	90.0	195.6	90.0	20	0.02	28
" 13	90.0	182.5	90.0	19	11.95	30
" 20	90.0	175.1	90.0	20	0.42	38
" 27	90.0	194.0	90.0	20	2.93	29

On Aug. 27th applications at £99 14s. 11d. per cent for bills to be paid for on Monday of following week were accepted in full. Applications at £99 14s. 11d. for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 29 per cent of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on Sept. 3rd. For the week ending Sept. 4th, the banks will be asked for Treasury deposits to the maximum amount of £45 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
July	13	6,397	2,227	6,661	7,189
"	20	4,961	1,557	7,470	10,944
"	27	4,177	1,366	4,964	10,106
Aug.	3	3,342	1,181	4,768	5,869
"	10	3,752	1,574	6,564	6,970
"	17	5,858	1,415	8,476	15,772
"	24	5,792	1,329	6,821	14,529
Totals to date		905,638*	621,339*	1,333,000†	489,505‡

* 196 weeks. † 138 weeks. ‡ 39 weeks.

Interest free loans received by the Treasury up to Aug. 31st amounted to a total value of £58,660,795. Up to Aug. 28th, principal of Savings Certificates to the amount of £119,122,000 has been repaid.

MONTH'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
(£ thousands)			
Nat. Sav. Certs.	8,300	Treasury Bills	6,699
3% Def. Bonds	4,169	Other Debt :	
2½% Nat. War Bonds, 1951-53.	55,000	External	244
3% Sav. Bonds, 1960-70.	27,100		
Other Debt :—			
Internal	1,652		
Ways and Means Advances	4,285		
Treasury Dep. by Banks	71,500		
Tax Res. Certs.	13,440		
	185,446		6,943

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
	d.	d.
Aug. 26	23½	23½
" 27	23½	23½
" 30	23½	23½
" 31	23½	23½

The New York market price of fine silver remained at 168s. 0d. per fine ounce throughout the week.

PROVINCIAL BANK CLEARINGS

	Week Ended		Aggregate from Jan. 1 to	
	Aug. 29, 1942	Aug. 28, 1943	Aug. 29, 1942	Aug. 28, 1943
Working days	6	6	203	202
Birmingham	1,867	1,610	85,842	81,394
Bradford	2,098	2,275	75,703	66,543
Bristol	3,104	438	86,451	22,734
Hull	678	542	26,369	20,404
Leeds	1,456	1,609	38,631	39,803
Leicester	4,102	5,027	165,565	154,696
Liverpool	10,638	3,652	415,844	362,055
Manchester	1,490	1,718	51,517	52,855
Newcastle	351	323	16,092	15,850
Sheffield	632	703	29,453	32,965
Southampton	132	84	5,976	4,570
12 Towns	27,251	18,628	102,048	882,931
Dublin*	5,718	6,337	223,761	241,905

* Aug. 22, 1942, and Aug. 21, 1943.

NEW YORK EXCHANGE RATES

New York on	Aug. 25	Aug. 26	Aug. 27	Aug. 28	Aug. 29	Aug. 31
Cables :—	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½
London	90.750	90.750	90.750	90.750	90.620	90.620
Montreal	23.32	23.32	23.32	23.32	23.32	23.32
Zurich†	25.05*	25.05*	25.05*	25.05*	25.05*	25.05*
B. Aires	5.15	5.15	5.15	5.15	5.15	5.15
Rio	4.10	4.10	4.10	4.10	4.10	4.10
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10

* Official buying rate 29.78. † Free rate. ‡ High

* Official buying rate 29.78. † Free rate. ‡ Bid.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

12 U.S.F.R. BANKS	Aug. 27, 1942	Aug. 12, 1943	Aug. 19, 1943	Aug. 26, 1943
RESOURCES				
Gold certifs. on hand and due from Treasury	20,551	20,069	20,050	20,036
Total reserves	20,809	20,473	20,453	20,445
Total cash resources	245	334	329	333
Total U. S. Gov't. securities	3,389	8,317	8,156	8,772
Total bills and sec.	3,408	8,353	8,185	8,827
Total resources	25,386	30,514	30,625	30,861
LIABILITIES				
F.R. notes in circ.	10,031	14,522	14,510	14,786
Excess m.f. in circ.	2,340	1,200	1,259	1,170
Mr. bank res. dep.	12,526	12,456	12,690	12,101
Govt. deposits	176	295	99	30
Total deposits	14,004	14,403	14,146	14,611
Total liabilities	25,386	30,514	30,610	30,866
Reserve ratio	86.4%	70.8%	71.1%	69.8%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,747	22,306	22,291	22,289
Treasury & bank currency	3,337	4,091	4,092	4,093
LIABILITIES				
Money in circulation	13,057	18,101	18,214	18,308
Treasury cash and dep.	2,395	2,578	2,378	2,580

BRITISH WHOLESALE PRICES

	Aug. 24, 1943	Aug. 30, 1943		Aug. 24, 1943	Aug. 30, 1943		Aug. 24, 1943	Aug. 30, 1943
CEREALS AND MEAT			TEXTILES—continued			MISCELLANEOUS		
BRAIN, etc.			COTTON—continued			CEMENT , best Eng. Portland, d/d site, London area		
Wheat	s. d.	s. d.	Cloth, Overall Cloth, 38½ in.	s. d.	s. d.	in paper bags or jute sacks 20 to ton—(a)	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	46 6	46 10½	52 × 50, 22's & 16's.	51 0	51 0	6-ton loads and upwards per ton	51 0	51 0
Eng. Gaz. av. per cwt. (c)	14 9	14 8	Drill, 30 in., 80 × 46, 12's & 10's.	73 10	73 10	CHEMICALS—		
Flour per 280 lb.—			FLAX (per ton)—	£ s.	£ s.	Acid, Oxalic, net.	per ton { 60/0/0 60/0/0	60/0/0 60/0/0
Straights d/d London	38 3	38 3	Livonian ZK	Non.	Non.	Ammonia, Sulphate.	per ton { 65/0/0 65/0/0	65/0/0 65/0/0
Barley Eng. Gaz., av. per cwt. (c)	27 8	27 8	Pernau HD	Non.	Non.	Nitrate of Soda	per ton { 3 6½ 3 6½	3 6½ 3 6½
Oats (c)	15 1	15 1	HEMP (per ton) — Manila, spot	Non.	Non.	Potash, Sulphate.	per ton { 10/14/0 10/14/0	10/14/0 10/14/0
Maize, La Plata, 480 lb., f.o.b.	13 10½	13 10½	" "					

(a) & 7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. (d) Including import duty and delivery charges. (e) Average for weeks ended Aug. 21 and Aug. 28. (f) Price at which Ministry of Supply supplies consumers delivered.

AMERICAN WHOLESALE PRICES

	Aug. 24, 1943	Aug. 30, 1943		Aug. 24, 1943	Aug. 30, 1943
GRAINS (per bushel)—					
Wheat, Chicago, Sept.	144 1/2	146 1/2	Wheat, Chicago, Sept.	109 1/2	109 1/2
Maize, Chicago, Sept.	107 1/2	107 1/2	Oats, Chicago, Sept.	72 1/2	74 1/2
Rye, Chicago, Sept.	100 1/2	102 1/2	Barley, Winnipeg, Oct.	64 1/2	64 1/2
METALS (per lb.)—					
Copper, Connecticut	12-00	12-00	Tin, N.Y., Straits, spot	52-00	52-00
Lead, N.Y., spot	6-50	6-50	Spelter, East St. Louis, spot	8-25	8-25
MISCELLANEOUS (per lb.)—					
Cocoa, N.Y., Accra, July	8-81	8-81	Coffee, N.Y., cash	9 1/2	9 1/2
Rio, N.Y., Jan-Mar.	13 1/2	13 1/2	Cotton, N.Y., Am. mid., spot	20-92	21-28
Am. mid., Sept.	20-18	20-46	Cotton Oil, N.Y., Sept.	14-15	14-15
Lard, Chicago, Mar.	13-80	13-80	Petroleum, Mid-cont. crude, per barrel	117	117

† Trading suspended.

† Nominal.

(Continued from page 348)

The following table summarises the Exchequer returns to date (August 28th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

	£2,298,878	£2,298,878
Total ordinary expenditure	2,284,713	1,002,69
New Sinking Funds	3,611	63,112
Loans repaid:—		
3% Def. Bonds (net)	4,054	214,994
3% Savings Bonds 1960-70	6,500	306,154
24% Nat. War Bds. 1949-51		120,000
24% Nat. War Bds. 1951-53		138,450
3% Termination Annuity		107,459
Nat. Savings Certs. (net)		4,644
Tax Reserve Certs. (net)		76,000
"Other debt," internal		223,748
Treasury Deposits		30,755
Treasury Bills		10,767
Public Dept. Adv.		93
Miscellaneous receipts		
Decrease in balances		

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

INDUSTRY AND TRADE

Railway Statistics.—Since the outbreak of war, British railways have moved over 1,000 million tons of freights and have run 180,000 special trains for the transport of troops and equipment. The equivalent of thirty divisions a week is at present carried in special trains. There are 20,000 steam locomotives in

use; 143 freight locomotives and 1,600 wagons have been sent to Russia. Over 100,000 railwaymen are in the fighting forces, and the labour force now consists of 500,000 men and 100,000 women.

Harvest Workers.—It is expected that the number of town dwellers who have helped to gather in the harvest and have stayed in the holiday camps organised for the purpose will number 150,000 before the field work has been completed. In addition, 50,000 schoolchildren will have worked on the land. Help has also been given by local residents and week-enders who are members of land clubs.

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

	Aug. 25, 1943	Aug. 26, 1943	Aug. 27, 1943	Aug. 30, 1943	Aug. 31, 1943
Crops	120.5	120.7	120.7	120.7	120.8
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	148.2	148.3	148.3	148.3	148.3
Crops	147.9	92.2	117.8	120.1	120.5
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	142.7	147.9	148.2

* Highest level reached during 1932-37 recovery.

COMPANY RESULTS (August 18, 1943, to September 1, 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.													
Beck's Brewery	June 30	51,110	...	41,210	41,210	6,000	35,210	35-21	...	...	49,818	39,918	33-91
Carlsberg Brewery	June 30	32,249	301	12,669	40,755	3,438	9,150	10	...	81	31,799	12,633	10
Watney, Thompson & Evershed	Mar. 31	361,663	...	64,809	232,361	15,000	47,200	20	...	2,609	305,066	67,429	20
Watney, Thompson & Evershed	June 30	245,452	...	56,158	107,887	6,300	48,750	32 1/2	864	244	253,255	55,102	32 1/2
Watney, Thompson & Evershed	June 30	1,739,596	...	397,835	752,283	107,144	288,093	18	...	2,598	1,768,104	418,005	18
Coal, Iron and Steel													
British Iron and Steel	Mar. 31	408,817	...	166,033	229,292	21,250	108,000	12	35,000	1,783	265,393	124,098	10
British Iron and Steel	April 30	198,843	30,000	21,093	48,741	5,074	9,450	6	4,970	1,599	184,679	20,929	6
Financial, Land, &c.													
Financial, Land, &c.	Mar. 31	11,690c	...	4,657c	28,846	...	...	...	...	4,657	7,389	2,725	Nil
Financial, Land, &c.	Mar. 31	106,532	...	11,321	34,816	...	...	...	...	11,321	92,315	Dr. 4,742	Nil
Financial, Land, &c.	Dec. 31	1,049,047	...	955,600	1,214,480	...	517,500	6 1/2	250,000	...	1,045,648	888,146	6 1/2
Oil													
Anglo-Iranian Oil Co.	Dec. 31	12,717,628	2,000,000	5,290,282	6,477,401	1,071,234	4,027,500	20	...	191,548	6,222,175	2,667,315	20
Rubber													
Malayan Plantations	Mar. 31	787	...	183	6,277	...	...	...	Dr. 3,100	3,283	3,912	960	Nil
Malayan Plantations	Apr. 30	213	...	Dr. 277	6,216	...	...	...	...	277	6,631	63	Nil
Malayan Plantations	Mar. 31	600	...	93	8,126	...	...	...	...	93	7,633	2,060	Nil
Malayan Plantations	Mar. 31	179	...	Dr. 1,441	5,776	...	...	...	Dr. 3,843	2,402	1,201	Dr. 295	Nil
Malayan Plantations	Mar. 31	615	...	63	1,660	...	...	...	Dr. 2,917	2,980	4,814	759	Nil
Malayan Plantations	Dec. 31	3,889	...	2,442	6,866	...	1,793	6	...	659	4,754	3,567	7
Malayan Plantations	Mar. 31	901	...	272	8,943	...	...	...	...	272	10,799	3,364	Nil
Malayan Plantations	May 31	281	...	Dr. 57	12,184	...	...	...	...	57	9,375	1,649	5
Malayan Plantations	Dec. 31	Dr. 12,274	...	Dr. 16,416	30,008	...	...	...	...	16,416	284,011	63,404	Nil
Malayan Plantations	Dec. 31	520	...	Dr. 3,875	2,116	...	...	...	...	3,875	38,935	11,746	Nil
Malayan Plantations	Mar. 31	835	...	165	14,188	...	...	...	...	165	11,850	1,942	Nil
Malayan Plantations	Mar. 31	Dr. 942	...	Dr. 942	11,370	...	...	...	...	942	7,978	1,942	Nil
Malayan Plantations	Mar. 31	771	...	35	10,538	...	...	...	Dr. 3,274	3,309	9,686	800	Nil
Malayan Plantations	Mar. 31	436	...	Dr. 74	4,024	...	...	...	...	74	5,892	800	Nil
Shipping													
British India Steam Navigation Co.	Dec. 31	321,863	...	142,941	271,610	97,125	30,000	3	...	15,816	338,949	121,926	24
Tea													
British India Steam Navigation Co.	Dec. 31	31,417	6,835	7,203	14,776	...	6,037	6	1,000	166	28,761	12,362	6
British India Steam Navigation Co.	Dec. 31	96,263	...	7,297	15,644	1,980	5,225	8	...	92	50,772	8,117	8
British India Steam Navigation Co.	Dec. 31	11,143	...	2,470	11,116	517	1,951	7 1/2	...	2	16,420	3,396	10
British India Steam Navigation Co.	Dec. 31	3,648	4,870	8,104	11,715	358	4,908	6	1,500	471	27,187	9,487	16
British India Steam Navigation Co.	Dec. 31	1,555	...	1,950	2,845	...	5,552	20	2,500	306	23,717	4,321	15
British India Steam Navigation Co.	Feb. 28	4,539	...	1,950	2,845	...	1,000	5	1,000	50	2,637	1,479	5
British India Steam Navigation Co.	Dec. 31	31,374	...	7,630	8,602	1,163	5,502	15	1,580	615	23,487	8,471	15
Textiles													
British India Steam Navigation Co.	Dec. 31	226,914	38,479	168,935	290,680	50,000	100,000	5	...	18,935	261,243	201,071	75
Tramways and Omnibuses													
British India Steam Navigation Co.	Dec. 31	24,039	10,000	3,127	18,342	...	...	...	...	3,127	30,056	9,013	Nil
Tramways and Omnibuses													
British India Steam Navigation Co.	June 24	44,724	...	Dr. 1,423	6,975	...	...	...	...	1,433	41,454	Dr. 644	Nil
British India Steam Navigation Co.	June 15	77,181	...	21,128	21,803	21,000	...	...	...	128	70,842	15,675	Nil
Waterworks													
British India Steam Navigation Co.	June 30	18,575	...	4,441	22,242	1,181	2,000	10	2,000	740	19,425	5,544	10
Other Companies													
British India Steam Navigation Co.	Mar. 31	33,587	12,131	6,836	21,192	...	5,000	10	...	1,836	34,717	3,396	15
British India Steam Navigation Co.	Mar. 31	66,085	...	71,562	3,000	18,250	5 1/2	...	...	4,835	57,572	27,572	24
British India Steam Navigation Co.	Mar. 31	83,012	36,202	55,060	71,996	10,000	41,250	15	...	6,190	106,809	60,943	12 1/2
British India Steam Navigation Co.	Feb. 28	71,682	...	43,182	20,250	...	25,000	10	...	6,003	116,519	16,488	Nil
British India Steam Navigation Co.	Mar. 31	153,304	14,005	43,676	222,017	6,250	3,675	7	...	12,426	160,818	56,183	10
British India Steam Navigation Co.	Mar. 31	11,520	...	3,705	6,133	...	3,675	...	...	30	12,430	3,895	6
British India Steam Navigation Co.	Mar. 31	214,232	34,204	40,745	180,008	...	23,531	7 1/2	...	17,214	171,056	43,532	7 1/2
British India Steam Navigation Co.	Mar. 31	12,585	...	8,688	31,544	...	...	...	...	9,688	28,678	25,690	Nil
British India Steam Navigation Co.	Mar. 31	24,495	...	9,865	13,366	...	2,500	5	5,000	655	26,976	12,326	5
British India Steam Navigation Co.	Apr. 30	3,994	...	3,694	28,280	...	1,217	5	...	2,477	4,155	3,855	5
British India Steam Navigation Co.	Nov. 30	307,996	...	293,191	369,542	71,250	210,000	30	...	11,941	297,112	28,118	30
British India Steam Navigation Co.	Dec. 31	138,337	21,000	31,530	50,724	...	17,850	15	10,000	3,880	114,762	28,998	15
British India Steam Navigation Co.	Apr. 30	44,133	...	12,390	13,232	9,065	3,125	2 1/2	...	200	43,519	24,025	24
British India Steam Navigation Co.	June 24	13,685	...	2,938	5,125	3,187	...	...	...	249	13,694	2,013	Nil
British India Steam Navigation Co.	Dec. 31	66,239	...	16,273	39,134	8,125	8,437	7 1/2	...	2,124	48,900	646	11 1/2
British India Steam Navigation Co.	June 30	92,863	...	21,008	72,602	...	912	5	...	4,446	83,028	18,222	7 1/2
British India Steam Navigation Co.	Mar. 31	3,794	...	3,070	163,790	12,209	21,750	15	40,000	9,602	110,388	64,504	12 1/2
British India Steam Navigation Co.	Mar. 31	134,805	25,000	64,357	131,051	50,400	40,000	20	...	10,614	105,014	98,931	20
British India Steam Navigation Co.	Dec. 31	116,588	32,732	44,411	169,805	35,387	...	8	100,000	90,976	106,300	35,402	8
British India Steam Navigation Co.	Dec. 31	231,643	20,000	102,908	156,509	22,500	77,000	11 1/2	...	175	172,000	85,183	9
British India Steam Navigation Co.	Mar. 31	83,831	...	24,675	33,590	1,500	10,000	20	13,000	...	87,311	33,682	20
Totals (1900's):													
August 15, 1943, to September 1, 1943	No. of Cos.	61	20,109	2,816	8,362	11,994	5,817	...	500	403	13,569	5,750	...
January 1, 1943, to September 1, 1943	1,988	291,912	25,750	123,248	209,563	28,642	77,663	...	13,721	3,456	278,848	112,037	...
(c) 15 Months. † For half-year.													

HERE'S LUCK



White Horse is a tonic when you are jaded in body or mind, and if you are in lighter mood it puts a finer point on your enjoyment.

WHITE HORSE

Bottles 25/9;—Half-Bottles 13/6



Quality of Reproduction

For nearly half a century the world's greatest artists have entrusted the permanent reproduction of their art to "His Master's Voice"—exclusively. Purity of tone and quality of reproduction have therefore become a tradition with "His Master's Voice" . . . a tradition which ensures that "His Master's Voice" radio sets and radio-gramophones enable you to hear the world's greatest artists as they would wish to be heard.



"HIS MASTER'S VOICE"

RADIO RECEIVERS—RADIO-GRAMOPHONES

We regret that no Radiograms or Radio Receivers are available for the time being

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, September 4, 1943.

THE SCIENTIFIC PREVENTION OF COLDS



THOUSANDS who used to catch colds easily will again experience a winter free from colds. They are users of SEROCALCIN tablets and each Autumn they take the immunising course which gives complete protection against colds in 8 out of 10 cases.

How it is done

SEROCALCIN acts by stimulating the natural defence powers of the body. It enhances the resistive capacity against invading organisms that cause colds and prevents a cold before it happens.

Simple and Safe

The immunising course consists of 60 SEROCALCIN tablets taken at the rate of two daily for thirty consecutive days. In 80 per cent. of cases this course gives complete immunity against colds for a period of 3 to 4 months. There are no "drugs" in SEROCALCIN—it is perfectly safe both for adults and children.

Proved by Tests

Tests by Doctors in private practice, Hospitals and Factories have established the claims made for SEROCALCIN and confirm its ability to give successful results in 80 per cent. of cases.

Supplies and Prices

Hospitals, Schools, Munition Factories and export trade have first claim on supplies, but most Chemists have adequate stocks. The immunising course of SEROCALCIN (Reg. Trade Mark) costs 8/5 inc. tax. Industrial and School Medical officers, nurses, welfare workers, Labour Officers and interested members of the public are invited to write for a booklet "Immunity from colds" which will be sent on receipt of 1d. stamp.

SEROCALCIN PREVENTS COLDS

HARWOODS LABORATORIES LTD., Rickmansworth Rd., WATFORD, Herts.

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees, alone among British manufacturers, pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5220

REGISTERED AS A NEWSPAPER

SEPTEMBER 11, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

The First Surrender - - - 353

Government and the Press - 355

Pay as You Go - - - 357

NOTES OF THE WEEK - - - 359

Combined Operations; The Great Advance; Algiers Looks Forward; New Men; Mr Bevin Gives His Word; The Trades Union Congress; War Debts; BBC Changes; Birds of a Feather; International and Industrial; National Output; Pit Boys' Wages; Dictatorship in Argentina?; Brazil in the War; The Case of Bolivia; Basic English; September 2, 1943; Shorter Notes.

AMERICAN SURVEY - - - 365

A Party Question at Mackinac; Check-Mate to Dewey?; Labour Under Sanctions.

THE WORLD OVERSEAS - - - 366

Italy Under Badoglio—I; Vatican Policy in Europe; New Deal in Bolivia.

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Russia Looks Back - - - 358

Italy Under Badoglio - - - 366

American Railroads - - - 370

THE BUSINESS WORLD

BUSINESS NOTES - - - 371

Reginald McKenna; Four Year Comparison; British Overseas Investments; Montreal Once More; Egyptian Debt Redemption; A Commodity Reserve Currency; The Problem of Stabilisation; Another Discount Merger; Cinema Deals; Mr Bevin Appeals for Miners; Speculation in India; Record Demand for Treasury Bills; Payments to Enemies; Clothing Concentration; Ship Welding Committee; A Transport Monopoly?; Retail Trade Trends; White Fish Distribution; Company Results.

COMPANY MEETINGS - - - 379

RECORDS AND STATISTICS - - - 379

The First Surrender

THREE years and three months after Italy's entry into the war, the Italian forces have surrendered unconditionally; and although all the great issues of the war still lie ahead, the British people can afford to pause a moment in their struggles and labours and look back over the long road they have come. Somewhere in his memories of the last war, T. E. Lawrence wrote "There could be no honour in a sure success but much might be wrested from a sure defeat." It would be hard to find a better statement of the relative positions of Italy and Britain in June, 1940. It was the bait of "sure success" that brought the bellicose Mussolini and his unwarlike people into the fight, and, indeed, as they know now to their cost, "there could be no honour" in it. It was "pure defeat" that appeared to face British arms, when, standing alone in Britain, in Africa, in the Far East, the small crippled British army, flanked by its comrades from the Dominions, took up the challenge of the Axis. Then, in what was at once the British Empire's darkest and finest hour, Winston Churchill made the decision upon which all the Mediterranean triumphs, and perhaps the future of the war itself, were based. He sent out from the denuded beaches of Britain the Army's only fully equipped armoured division. He sent it to the Middle East. It was by that superb gesture of courage and imagination that success has finally been wrested from "sure defeat." Not a year after El Alamein total victory has been won in the Mediterranean and a new phase of the battle has already begun on the shores of Europe.

The collapse of Italy was certain once Mussolini had disappeared. Only the timing was in doubt. In the event, the armistice was signed on September 3rd, but General Eisenhower, who had secured the agreement of the Russian as well as the British and American Governments, delayed its joint announcement by himself and Marshal Badoglio in order to get as large a force of Allied soldiers as possible on to the Italian mainland before giving the Germans the intelligence, not only that Italy no longer fought beside them, but on the contrary would now join in the fight to drive them out. That such a volte face is possible is one more illustration of the criminal folly of Mussolini in leading his people into an unwanted war at the side of a Power which, to the great majority, remained the traditional enemy. It is very hard to estimate how much stomach the Italian soldiers will have for carrying on the fight, but it may be, provoked by their former masters, that they will turn and strike.

With or without the positive assistance of the Italians, the strategic prospects are dazzling enough. The Balkans lie open to attack from two sides; the Italian armies there, estimated at some 25 to 30 divisions, will tend to disintegrate in the occupied territories; and, in the Dodecanese, they may well become an active factor on the Allied side. General Maitland Wilson has broadcast his instructions to the Italian troops in the Balkans, instructing them to fly their aircraft to Allied airfields and sail their ships to Allied ports, and to give no further assistance to the armies of occupation.

Another vital result is the final freeing of the Mediterranean and the probable transfer to the Allies of a number of serviceable ships. A new range of objectives in German Europe, including the Roumanian oilfields, comes within effective reach of Bomber Command, Middle East. Finally, the defection—worse, the desertion—of Germany's greatest European Ally cannot fail to have a devastating effect upon public opinion in Germany and upon both public and official opinion among the remaining satellites—and, above all perhaps, on the retreating German armies in the East.

The list is so impressive that many people will be tempted to conclude that the war is over. While it is obviously true that the days of Hitler's Empire are numbered, it emphatically is not true that the last battle is won or even joined. On the contrary, as Mr. Churchill has pointed out, the hardest fighting against the cornered Nazi animal may still lie ahead. Analogies with 1918 are obvious, but they can be misleading. Then the defection of Bulgaria in September finally led the German General Staff to advise the German

Government to ask for an armistice. Italy's defection is far more sensational than Bulgaria's. May it not be relied on to have the same effects? The answer lies with the German Army, and the German Army of 1943 is not the same as the German Army of 1918. As Prince Max of Baden pointed out in his memoirs, it was not the civilians who cracked in 1918. On the contrary, the Government repeatedly urged Ludendorff in the autumn of 1918 to hold out longer, so that there might still be some hope of peace by stalemate. It was the nerve of the High Command and the morale of the troops

that broke—the troops who after the great Allied summer offensives greeted the new recruits with the cry of "Blackleg." The stab in the back is the greatest and crudest of all German myths, created by the Army to cover the fact that they, not the people, cracked first. And it is impossible to argue at this moment that the nerve of the German High Command has given or that the generals do not still count on the possibility of a "Frederikan war," dividing the Grand Alliance, playing Russia off against the West, and terrifying all the belligerents by the horrible price in blood and death which must be paid to storm the Atlantic, Alpine and Dnieper walls. The defection of Italy will create many grave embarrassments—true; in the Balkans, in Italy itself, the Germans must now use their own troops for reinforcements; but one advantage of shortening the Russian line, in itself a great defeat, should be to free troops for other fronts. The German Army is everywhere on the defensive, indeed, in retreat, but its spirit is not broken. Those who fought in Sicily give testimony to the astonishing toughness of the Nazi defence. If some part of the Italian mainland can be transformed into another Tunisia, and a long delaying action fought there, the Germans may still argue that time is on their side.

It is thus essential to keep the Italian collapse in perspective as an incident in the major campaign of bringing Germany down. The wider strategic picture includes the Russian effort in the East and the Allied bombing offensive in the West. The grand strategy of the war must be to bring together these separate efforts into a final co-ordinated blow, strong enough to crack through the German defences and speedy enough to do so before another year of misery has worn down still further Russia's—and Europe's—powers of resistance.

Speed is essential. The Russian call for the Second Front which has begun again at the time of the Soviet's most sweeping victories springs from a double conviction, that co-ordinated action can win the war this year and that another year of fighting is almost physically impossible. The question the overstrained Russians are asking is whether Anglo-American strategy recognises the urgency of speed and whether the Anglo-American High Command is prepared for the sacrifices which may be necessary to secure speed, above all things, speed.

It is impossible for the layman to judge whether the strategy elaborated at Quebec is, in fact, a United Nations strategy, or still just an Anglo-American strategy. Is the war against Japan really receiving as high a priority as the much more urgent struggle in Europe? What decisions have been taken on bombing policy? All-out bombing has been tried this summer. Can it be said that, in spite of the terrific damage done, it has proved beyond a doubt its claim to be able to deliver the knock-out blow with speed enough to justify the great resources it consumes?

If not, is there any assurance that its claims will not be allowed to inhibit the elaboration of other, possibly more effective, strategies? Finally, will enough strength be concentrated in Italy itself to drive the Germans north and to develop the mainland as an advance base for new and immediate blows against the Balkans, against Danubia, against Southern France?

Much more even than speedy victory depends on the answers given to these questions. There is no doubt that, at this stage of the war, the hope of securing post-war collaboration depends upon much closer military collaboration now.

The cry for a Second Front is not only a question of need. It is becoming a test of confidence. It is admirable that the Foreign Ministers of Britain, the United States and Russia should meet in conference. It is admirable, too, that a permanent joint Commission should be established to provide the machinery of understanding. But the root, basis and substance of understanding will still be proved, not at the conference table, but on the field of battle.

CENTENARY RECORD

1. We very much regret that, owing to paper rationing, it has not been possible to supply more than a fraction of the copies sought of the Centenary Number of *The Economist* which appeared on September 4th. With the generous co-operation of our printers, however, we have been able to prepare a limited number of copies of a commemorative pamphlet, which will include (a) all the special centenary articles which appeared in the issue of September 4th, dealing with the history, policy and present views of *The Economist*, and (b) the speeches made at a centenary luncheon on September 2nd by Sir Walter Layton, chairman of the gathering; the Chancellor of the Exchequer; the Governor of the Bank of England; the Home Secretary; and the Editor of *The Economist*. Copies will be available in a few days (price 2s., postage 2d.), and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Temple Bar 3316.)
2. A volume of essays entitled "*The Economist, 1843-1943*," which is mainly historical in character, has been published by the Oxford University Press, price 7s. 6d. (Orders should be placed through booksellers, and not with either the Oxford University Press or *The Economist*.)

The Government and the Press

THE insistent demand that is being made by all spokesmen of the press for the immediate end of official control and direction after the war was voiced once more last week-end by Mr Gordon Robbins to the Institute of Journalists. It is a demand that few will feel disposed to question, for without a free, intelligent and enterprising press the bloodstream of a democracy must be both sluggish and thin. There are, however, two aspects of the present campaign for an independent post-war press which require somewhat more careful consideration than has so far been given. On the one hand, there is a tendency to overstate the degree of wartime control over the newspapers. Paper is harshly rationed, and the most important news, for reasons of national security and the exigencies of war-making, is passed through an official filter; but the expression of views, apart from a range of safeguards for the defence of the realm, which in fact have operated very far from onerously, has been quite remarkably unconstrained. With regard to the post-war period, on the other hand, too much, perhaps, has been said by the representatives of the press about what the Government must not do, and too little, certainly, about what the press itself must do, if it is to discharge fully its great public responsibilities.

During the war the newspapers have been confronted by an array of special machinery set up to guide and instruct the public. The press has been used by the Ministry of Information and by the press officers and public relations departments of the various Ministries to explain the war and its conduct to the people; and the essential condition has been the unprecedented degree of national unity embodied in Mr Churchill's all-party coalition Government. Control of the press, insofar as there has been control, has been one of the means to an agreed end. But, although there has been a truce to party politics in the peacetime manner, there has been no truce to discussion and criticism. Indeed, the suspension of party politics in Parliament, and, in the form of elections, in the constituencies as well, has provided the press with added opportunities and responsibilities—"to speak for England." It is for this reason that every attempt to use the Ministry of Information as a Ministry of Propaganda, or to use particular press officers as the advocates of particular Ministers, has been jealously, and on the whole successfully, opposed. On a balance of its wartime deeds and misdeeds, the press has done well; more harm has almost certainly been done to the war effort when newspapers have been too uncritical than when they have been too critical.

But if the press can claim a good conduct stripe, so,

too, can the Government. It is a figment of the imagination to picture the newspapers exposed to ceaseless pressure and dictation during the war; and a false conclusion to argue from this false pressure that the whole apparatus of public information at present provided by the Ministries in wartime should be swept away. Modern government, in peace or in war, has a particular need of an informed public, and therefore of an informed press, if its democratic character is to be preserved; and there are many items in the complexity of twentieth-century legislation and administration which must inevitably be unknown, inaccessible or unintelligible to journalists no less than to the citizenry at large. The case for press officers and public relations departments was already proved before the war. Experience since 1939 has underlined the usefulness of these earlier innovations over a wider field, while emphasising the necessity for official publicists to be really competent at the job of giving out information and to be adamant in refusing to be the personal salesmen and apologists of their Ministers.

Competence is the key. There are certain informatory functions which can only be performed by Government departments themselves; they cannot be satisfactorily carried out either by question and answer in Parliament or by unassisted press investigations. They are functions that must be performed if the right principle of "Let the people know" is to inspire the business of government. But they must be efficiently performed. Information must be made available to the press and to the public at all the various levels of sophistication from which inquiry is likely to come; and it must be purveyed by men who know what they are doing, are anxious to do it in the appropriate way and are acquainted with all the relevant facts, figures and explanations needed to make the information complete. These conditions are not universal in public relations departments. Inevitably there have been defects in attitude, personnel and method; some have lacked even the inclination to answer questions; others have left too much of the work, perhaps willy nilly, to unsuitable persons; others again have failed to master the intricacies of filing and indexing upon which a satisfactory intelligence service wholly depends. But, equally, there have been several outstanding successes; and there is no reason why, after the war, each Government department should not have officers capable of giving every newspaper and citizen, without prejudice, the information they want in the form they want it.

The very real need for more and better press officers and public relations departments should not therefore be obscured by unspecific charges of official "dictation."

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 editor who allows himself to be dictated to by Government officials, any more than by advertisers is, in any case, a poor editor. But the case for keeping public relations departments does not extend to the Ministry of Information itself, whose be-all and end-all is the war. Both halves of its home functions, censorship for security purposes and the dissemination of war news, should cease automatically when the war ends; and insofar as recent press pleas have been intended to secure guarantees of the Ministry's demise they have been entirely justified. The overseas activities of the Ministry, like those of the BBC's Empire, Overseas and European services, come in a different category. Properly, they should come within the extended ambit of the Secretary of State for Foreign Affairs, reorganised to oversee and collate all national relationships with other countries. Certainly, they should not impinge in any way on the work of the British press. "Comment is free and facts are sacred." This phrase of C. P. Scott's has become the hackneyed slogan of the British press; and if the aim of post-war independence in the true sense is to be reached it can only be by making this slogan generally true. This is the responsibility that the newspapers will owe to the public when the wartime grip of the Government, such as it has been, is removed. It is in this positive direction that professional guidance is looked for, vainly more often than not, in the current polemics in favour of a press freed from "dictation." This is not to say that the press of this country, in comparison with others, has fallen far short of its responsibilities, in peace or in war; the reverse is true. But it is to say that the struggle to maintain high standards, in the face of proprietorial pressure, financial considerations and the contemporary mistranslation of popularity to mean vulgarity, will be hard and unending. This is an age of newspaper millionaires, of mass circulations, of the concentration of the newspaper industry, when a comparatively few men, chosen by the chances of commerce or the accident of birth, wield immense power through the vast readership of their newspapers. The process by which this has happened cannot be reversed. A newspaper is a commodity. It is produced for sale; and the newspaper shares with other products in the modern trend to large-scale organisation. The quality of a newspaper is bounded—within very much wider limits, however, than is sometimes suggested—by the quality of its readers, by the standard of their taste and education and the character of their curiosity about the world they live in. Any attempt to impose upon the public the kind of newspapers they ought to read, according to some arbitrary criteria of taste and value, or to stereotype their opinions in order to rule out proprietorial excesses would be ridiculous and wrong, in principle as well as commercially. But the present position is that, increasingly, a handful of newspaper

proprietors are themselves able to do precisely this—that is, to impose upon the public the newspapers that they (the proprietors) think they ought to read and to stereotype public opinion in a few primitive and not always very slightly moulds. Some proprietors and boards of directors do not use their power in this way; they have a high sense of public duty and a regard for good and honest journalism, and they protect their editors and staffs, within the broad limits which they naturally feel entitled to set. But more than a few behave quite otherwise. Often they own the most powerful papers; and they can have their way because in the field of national newspapers, and increasingly of provincial newspapers as well, the consumer has a very limited choice; mass production, concentration and mass advertising have done their work. The really important question is whether the outspoken desire of the press for independence is matched by an equal sense of public service on the part of those who direct it.

There is no mechanical formula by which newspapers can be made worthy of their high responsibility in a modern democracy; and a State press would be a mockery of press and democracy alike. But there are two simple rules by which the conditions might be established to allow right-minded and able newspaper men, without ignoring the commercial motives that must operate in every industry, to do their best work. The first looks backwards; it is the old tradition of the best age of British journalism, summed up in C. P. Scott's phrase—the treatment of news honestly, accurately and objectively, distinguishing, as the Editor of *The Spectator* has recently urged, between the important and the trivial; and the rigid, punctilious, unvarying separation of news from views, whether editorial or proprietorial. The second looks forward. Is it too much to expect that the great magnates of the newspaper world, some of them already deeply conscious of their duty to the community, may be prepared, while surrendering none of their proprietorial control over the balance sheet, to abate their control over editorial policy? As has been said, some boards and proprietors have, in effect, done so already. This is the right road; but more is needed to give the assurance that is needed. The goal should be the general restoration of the conditions of virtual independence in which the best of British editors have flourished; and the best means, undoubtedly, would be the general setting up of boards of independent trustees, to hold the proprietors' powers of control in commission, to oversee and protect editors and their staffs and to reconcile divergences between editorial and commercial considerations.

The difference between the press and other vested interests, in this campaign for the removal of Government controls, is, or should be, that the press has a priceless service to the community to perform in independence. Its justification will be to perform it. It will be remembered that Milton himself, having enshrined the independence of the press in his *Areopagitica*, later became one of the most rigorous press censors this country has ever seen; and it is important that, while the bogey of State tyranny is being well and truly slain, provision should at the same time be made, by the press itself, for the inhibition of other more insidious tyrannies. Neither editors nor proprietors have failed so much in their duty in the past to suggest that optimism is entirely out of place. The maintenance of good journalism is the editors' task; it is a problem of principle and personnel—above all, perhaps, of personnel in these days when the entire flavour of a newspaper is given by the taste and intelligence of its sub-editors and caption writers. The restoration of editorial independence is the proprietors' task. It has been said, with what truth it is hard to say, that no proprietor of a mass-circulation daily could follow the example of, say, *The Times* and set up a trust without losing heavily in competition with his rivals who did not follow suit; and it may be that what is needed is a dramatic act of abdication by the Newspaper Proprietors' Association. But if the will is there, the way can be found; and the plain dangers of financial trustification can be counter-weighted by trustification of another and nobler order.



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

The Future of Income Tax—1

Pay As You Go

IT is not the purpose of this article to estimate the post-war level of taxation. As the end of the war approaches and the conditions of the post-war era begin to take shape, that exercise begins to be a little more than mere crystal-gazing. But there are nevertheless too many unknowns for a close estimate to be possible. It is not yet possible to be sure either of the value of money or of the level of interest rates. Of the cost of armaments, the only thing that seems reasonably certain is that it will be heavier than it was after the last war. It is impossible to forecast how the cost of attaining Full Employment will be met, or what effect it will, in its turn, have upon the revenue. Nor is the future cost of social services known. It must be enough for the purposes of this article to assume that the post-war level of taxation will be higher than the pre-war, but lower than the present; it may perhaps be conveniently symbolised by a standard rate of income tax of 7s. 6d. in the £. The purpose of this article is rather to inquire what changes in the system of taxation, as distinct from the rate of tax, will be required.

It may be that some of the war-time taxes will be continued after the war—though the two chief of them, the Excess Profits Tax and the Purchase Tax, are equally unsuitable for the purpose. It may also be that some part of the increases in the duties on tobacco and on alcoholic drinks will be retained. But the overwhelming probability is that the main reliance of the Exchequer after the war will be on direct taxation. And within the direct taxes, it must be mainly on income tax. Surtax yields less than £100 millions even in war-time conditions and can hardly be further increased. Death duties yield about the same. There will tend to be an increase as the holdings of public debt created during the war gradually come under review; and the rates could be increased if it is desired to diminish the inequality of wealth. But the sums obtainable are clearly likely to remain small in comparison with a total Budget that is likely to be nearer £2,000 than £1,000 millions.

The public finances of the future therefore rest on the direct taxation of incomes, by far the fairest and most flexible of all fiscal instruments. The British income tax, as invented by Pitt, reimposed by Peel and gradually perfected over a period of a century and a half, is a magnificent engine of sound finance and good government. If it is true that finance is the Achilles heel of all popular governments, then the British people have a very great deal for which to thank the income tax. With one exception (the results of which prove the rule), no British Government has ever had to suffer political embarrassment for financial reasons; neither home nor foreign policy has ever (with the same exception) been seriously weakened or distorted because of a technical failure in the financial departments. The income tax has not alone been responsible for this record; Treasury control and the salutary constitutional rule prohibiting expenditure from being proposed by any but Ministers have also played their part. But without an efficient and flexible means of raising revenue, these would not have availed. Nobody who is acquainted with the springs of government would lightly propose any tampering with the income tax.

Nevertheless the tax was never designed to be applied at rates such as seem likely to prevail in the future—rates considerably higher than the 5s. in the £ which came to be regarded, in the interwar period, as the peace-time maximum. Moreover, in the last three years, it has been extended to whole classes of incomes which never knew it before, until to-day the great majority even of wage-earners pay income tax. It is very necessary to inquire whether the structure of a tax which was intended to be imposed, at a rate of a few pence in the £ on a few thousand incomes is really well adapted to being levied, at very high rates, on nearly every income in the country.

The income tax, as it exists to-day, really serves three purposes which are, or should be, distinct. First, it is a universal proportional tax, subject to allowances, on almost all incomes. Secondly, together with the surtax, it is a steeply progressive tax on the incomes of the middle classes and the rich. Thirdly, it is a tax on the profits of business. So long as rates were low, a single tax to serve all three purposes had great and obvious advantages which outweighed any defects. But it would be a surprising coincidence if the structure and rates appropriate to one purpose were also the best for the other purposes. The time has probably come to devise separate taxes for each purpose. But this conclusion can only be provisional until the requirements of each section have been passed in brief review.

In its function as a universal direct tax, the income tax suffers from three defects. It is somewhat too complicated in assessment. It is collected in arrear, and it appears to bear with particular weight on the earnings of additional effort. The ordinary man has some difficulty in understanding how his liability is arrived at. It is collected in a period which begins six months after the end of the period on which the assessment is based, and in the meantime he may or may not have maintained his rate of earning. And the one clear idea he retains is that if he works harder than he need and his earnings begin to exceed a certain figure (about £6 10s. a week for a single man and £8 13s. for a married man with two children), he will be taxed on the excess at what seems to him to be, and is, the very high rate of 9s. in the £. These defects are familiar and the subject of wide debate at the moment. The second defect is the most dangerous and, unless it is corrected, will inevitably cause the gravest difficulties as soon as wage incomes begin to fall. Other countries have the same problem, and both in Canada and in the United States, "pay-as-you-go" systems have been enacted. The American scheme is not really one of current assessment, but of payments on account with an adjustment at the end of the year and, with its provisions relating to the so-called (and quite mythical) "forgiveness" of a year's taxes, is far too complicated and cumbersome to serve as a model for this country. The Inland Revenue produced a White Paper in April, 1942, proving, with the most impeccable logic, that the present income tax could not be put on a "pay-as-you-go" basis. But they are believed to be thinking again.

The second defect in the present income tax as a universal direct levy—its deferred collection—cannot be removed without also removing the first defect—the complications of assessment. For the chief obstacle to current assessment is that week-to-week calculation cannot without great difficulty make provision for the various allowances, which differ from person to person. The only tax which can easily be collected from incomes as they arise is one which ignores all allowances and is calculated at a single flat rate on all incomes—or at a very simple progression (though this at once introduces complications). But to abolish all the allowances would, of course, be monstrously unfair. There is really only one way of escape from this dilemma. That is to provide the allowances, not as deductions from income before it is taxed, but as offsets against the tax payable. The allowance for a child is at present £50, deducted from income before tax is charged. With income tax at 10s. in the £, this is equivalent to a reduction of tax by £25. Let every parent therefore be given tax vouchers to the extent of £25 a year, or 9s. 7d. a week, for every child. Let the other allowances be treated in the same way. Let tax be payable on all income, as it arises, at 9s. (or 10s. for unearned income) in the £, and let the tax vouchers be acceptable in payment. Nearly every receiver of an earned income would deposit his vouchers with his employer, who would

offset them against the tax and deduct from wages or salary only the balance. In the exceptional case where this is not desired, the vouchers could be cashed at the Post Office against proof that an at least equal amount had been paid in tax. There might be some difficulty in converting all the allowances to a cash basis. There might also be some administrative difficulties; but they would be far smaller than have been surmounted years ago in connection with income tax, and they should be balanced against the enormous administrative economy that would arise from the fact that, for the vast majority of citizens, only their family circumstances and not their incomes would require the individual attention of the Inland Revenue staff. In this way, a system would be devised which would not only be more intelligible to the ordinary man but would have the merit of discharging the liability week by week, or month by month, as it arises. The small trader would require special treatment, but there is no reason to suppose that this would cause insuperable difficulty. It is very greatly to be hoped that the reflections of the Inland Revenue will result in the proposal of a scheme of this sort.

What has been suggested above is by no means new. But a novel further suggestion has recently been made in a paper read to the Institute of Actuaries.* In calculating the cash value of the various allowances, the authors were struck by their similarity to the rates of benefit proposed in the Beveridge Plan. Thus the personal allowance for a single person is £100, equivalent at a standard rate of 10s. in the £ to £50. The reduced rate allowance (for those whose incomes exceed the range in which it operates) is equivalent to about a further £29. The cash value of a single person's allowance is thus from £50 to £79. The "Beveridge" allowance for a single person would be £62 8s. (i.e. 24s. a week). For a married couple, the income tax allowance is from £70 to £99, or from £85 to £114 if the post-war credit is included; the "Beveridge" figure is £104. For a child the income tax allowance is 9s. 7d. a week; the "Beveridge" proposal is 8s.

It would therefore appear that, after the adoption of a simplified income tax as proposed above and of the Beveridge plan, the position would have been substantially reached that everyone *with* an income would be paid an allowance by the state as an offset against his income tax, and that everyone *without* an income would be paid very

* "Income Tax in Relation to Social Security." By A. T. Haynes, F.I.A., F.F.A., and R. J. Kirton, M.A., F.I.A. Submitted to the Institute of Actuaries on May 14, 1943.

Russia Looks Back

THE future historian of Russia will surely devote a special chapter in his book to some of the remarkable changes which Russian life has undergone in the course of this war. He will naturally single out the heroic battles that marked the turning points in Russia's stupendous struggle for existence; but he will also turn his attention to some less spectacular—and less martial—events, which he will probably describe as symptoms of a very significant change in the Russia of the early forties. It may perhaps be permissible to make a guess about the actual contents of some of the paragraphs which this future historian will include in a chapter under the title "Moscow 1942-1943."

"The citizens of Moscow [he will write] were much too absorbed by the hardships and exacting tasks of that terrible war to pay much attention to things that did not seem to them directly connected with their superhuman struggle. When, in the spring of 1943, the papers announced the dissolution of the Comintern, Muscovites who read the news shrugged their shoulders; the fate of a small village in the Kuban which had just been retaken by Russian soldiers moved them incomparably more. Only a few elderly people remembered that,

much the same allowances. Why not simplify the whole process and pay a cash allowance at fixed rates to every citizen, and levy income tax at two standard rates—one for earned income, the other for unearned income—on all incomes at the source as they arise? At first blush this seems like a revolutionary proposal. And yet, as Mr Haynes and Mr Kirton point out, it is not substantially different from the present income tax plus the Beveridge Plan. By the cumulative effect of several complicated enactments, the community is already on the verge of a position which, stated in simple terms, sounds quite revolutionary. Why not acknowledge it for what it is? To do this would sweep away at one blow all the difficult administrative questions of qualifying for benefit. Every one would get his minimum income at all times and all incomes would be taxed. What more direct way could there be of attaining the ideal of a National Minimum?

This is Messrs Haynes and Kirton's thesis. It is new and startling, and it requires very careful examination. It is not quite true (as they are aware) that a scheme such as they suggest would leave everybody substantially where he is now. It would be true of all social insurance beneficiaries, and it would be true of all those whose tax, at the flat standard rate, equalled or exceeded the cash allowances. But in between, those with incomes of less than double the allowances (assuming a standard rate of 10s.), less than 2½ times the allowances (with a standard rate of 7s. 6d.) would realise a net gain, which would impose a corresponding cost on the Exchequer. This could be got round if it were provided that the allowances were paid only as an offset against tax due or against proof of eligibility for insurance benefit—but in that case much of the simplicity and of the attraction of universality would disappear.

For this and other reasons, a radical solution of this kind is hardly practical politics at the present time. It is good, however, that it should be brought forward for the widest discussion, in order that the public may grow familiar with it, for it is not so far removed from possibility that it may not be taken up in earnest before many years have passed. It is no more radical to-day than the Beveridge Plan would have been twenty years ago. The only reason against bringing it forward for discussion now is lest it should impede the attainment of the much simpler—and much more urgently needed—adjustment of the income tax to a "pay-as-you-go" system discussed in earlier paragraphs.

A second article will discuss the other functions of the income tax—as a progressive tax on larger incomes and as a tax on business profits.

exactly twenty years before, the fourth Congress of the Comintern had kept the whole of Moscow in suspense, when Lenin had just made his last appearance in public and Trotsky, with his fiery speeches on world revolution, had held the centre of the stage. In 1943 even old Muscovites could hardly spare any time for reminiscences. Life was too hard. Similarly, when the papers published the news, in the first days of September, that Marshal Stalin had received the Metropolitan Sergius and agreed to the restoration of the Holy Synod, few people in Moscow stopped to think of its meaning; the readers of *Pravda* and *Izvestiya* were almost certainly much more preoccupied with the news about the Russian advance in the Donbass. The Donbass meant coal; and with the approach of autumn the Russians thought with a shudder about the two war winters through which they had gone without coal for their homes.

"Yet [the historian will go on] the meeting between Marshal Stalin and the Metropolitan Sergius was a remarkable event. It was more than a quarter of a century since the Holy Synod of the Orthodox Church had been banned by the Revolution. And now it was called back to life by Marshal Stalin. Some biographers

of the Marshal have described this step as his 'return to the Church.' In his teens the Marshal had spent eight years in a clerical seminary, preparing for the career of a modest Orthodox deacon. Then he left the Church for the Revolution in which he was to play so important a rôle. Together with all the other Bolshevik leaders he fought against religion and denounced it as 'opium for the people'—until, at the very height of his career as statesman and military leader, he again paid tribute to the faith of his youth. Thus runs the story of the biographer and the fiction writer.

"But there is no evidence in the archives to support this picturesque tale. The Marshal in fact remained an atheist for the whole of his life. His sudden 'reconciliation' with the Church was not the expression of his personal attitude towards religion or of any change in his views. It was dictated by two important political motives. There was, first, his desire to strengthen Russia's prestige and influence in the countries where the Orthodox Church traditionally looked to the Holy Synod in Russia for religious, and often also for political, guidance. The Marshal might even have said to himself that Russia's prestige in the Balkans was worth an Orthodox Mass. Secondly, the revival of the Holy Synod was also in keeping with the whole trend of the many reforms which Marshal Stalin had initiated in the years of the War of Liberation. All had one feature in common. They rehabilitated old, pre-revolutionary Russian traditions; they aimed at imbuing post-revolutionary Russian society with an intense national feeling and with pride in Russia's Imperial past, which the historians of the Leninist period had treated so inimically. The Orthodox Church and the Holy Synod were part and parcel of that Imperial past. The Holy Synod could not, of course, aspire under Stalin to a position of any independence *vis-à-vis* the state. This has never been the case in Russian history. It was Peter the Great who rudely dethroned the Patriarch; and from then on the Holy Synod owed complete obedience to the Tsars. The Metropolitan Sergius could hardly have been much surprised if, in the course of that memorable reception at the Kremlin in 1943, he learned that Marshal Stalin was reserving for himself some of the rights in relation to the Church which Russia's rulers had always possessed. The gain to the Church was obvious. Every official in every corner of Russia who read the news would read into it a tacit instruction to treat the local priest with more tolerance, if not more respect, than before.

"To see the background against which this reconciliatory step was taken [the historian will no doubt add] one must follow the Metropolitan Sergius from the Kremlin into the streets of Moscow. The picture which the Metropolitan saw must have appeared at once very familiar and very novel. The officer in charge of the guard at the gates of the Kremlin was very smartly dressed; his epaulettes shone with unusual brightness. So did all the epaulettes on all the uniforms of the

officers walking in Moscow's squares and streets. And all these epaulettes had been sewn on only a short time ago. Like the Holy Synod, they had been banned as the symbols of the Imperial past; and now they had reappeared. The soldiers in the streets saluted their officers as they had done in old Tsarist days. On one of the squares soldiers were taking the oath, and they knelt down to kiss the fringes of their regimental banner. The banner itself might belong to one of the many hundreds of Guards' Regiments—for the Guards, too, had been recently rescued from revolutionary contempt. On his way the Metropolitan might have passed a newly opened officers' club, another new but old feature, in which other ranks were not allowed. Or he might have read a placard on a wall announcing yet another innovation and revival, the opening of schools for military cadets.

"In the windows of the bookshops, large portraits of Kutuzov and Suvorov, the great warriors of old Imperial Russia, were on show, even more than the somewhat faded portraits of Lenin; the pictures of Karl Marx had almost disappeared. Much of the scene would have been unthinkable only a few years earlier, but commonplace a generation before. Everything seemed to bear witness that the years of 'ideological folly' were over; that Moscow was now looking back to the past, reaching out for the old symbols and the old shapes and sights and finding some unsuspected spiritual pleasure in the feeling of kinship with those bygone times. This change in modes of thinking and taste was by no means a matter of chance. It reflected the fundamental fact that Russia was waging the War of Liberation neither in the name of Communism nor, even, in the cause of Anti-Fascism. It was a holy war for Russia's national existence and greatness; and the cult of the past was seen by Russia's leaders to be more inspiring than Communist ideology.

"The few old Bolsheviks who survived into the forties [he will conclude] no doubt viewed those changes with some alarm, and thought of them as a counter-revolution. Yet it was not a counter-revolution, though it was indeed a period of counter-reform. A counter-revolution destroys the social system created by a revolution; counter-reforms make gradual changes within the revolutionary system, leaving its framework intact. This is what happened in Soviet Russia during the War of Liberation. The social system, with its state-owned industries, its planned economy and its collectivised agriculture, was not substantially affected by the change in psychology and customs. The picture of Moscow in 1942-43 shows many paradoxical traits; but the counter-reforms carried out under Marshal Stalin did pave the way for the new turn in Russian history that was to fill the first decade or so after the war."

And so the historian will proceed to describe in his next chapter what that new turn in Russian history actually was.

NOTES OF THE WEEK

Combined Operations

The surrender of Italy is a famous milestone on the way to peace. It is a signal triumph for combined operations, for the remorseless pressure of Allied strength at sea, in the air and on land, and for the remarkable co-ordination achieved in military matters, at both the strategic and tactical levels, by Britain and the United States. It is this co-ordination that Mr Churchill wishes to preserve when the war is over in the shape of the Chiefs of Staffs Committee which has planned the war effort of these two Allies in Washington. This, together with Basic English, was the specific proposal for the future of Anglo-American relations that Mr Churchill made in his speech at Harvard on Monday. "What we have we hold" is not always a bad slogan; the Chiefs of Staff Conference is a proved instrument of international collaboration. So, too, is the Pacific War Council, for the peacetime retention of which Mr Curtin is now calling from Australia; and, whether perma-

nent or not, both will be imperatively needed during the armistice period between the end of fighting and the making of peace. The last peace was lost before it was made by the break-up of the wartime process of alliance and the absence, not only of a common policy, but also of any instruments of common decision, common will and common action. Here are the instruments which have spanned the Atlantic and the Pacific in a second world war. In them Allies and members of the British Commonwealth have met on equal terms, and counted now according to their needs and now according to their contributions. They are not instruments of general peace, because their scope is restricted. It is a misfortune which springs from both geography and history that the Chiefs of Staffs Committee does not embrace Russia. Nor, because Russia is neutral in the East, does the Pacific War Council. But the Pacific Council is international, and not Imperial. It is significant that Mr Curtin's demand for a permanent machine of consulta-

tion within the British Commonwealth, with each partner on an equal footing in the common quest for peace and prosperity, should now have included this wider scheme. There was never the slightest chance that the Canberra Plan would follow the unhappy exclusive lines of the Ottawa Agreements; but it is good that Mr Curtin has made this plain to all. World peace must start from realities, and the most enduring reality in world affairs is the *Pax Britannica*. It is a starting point. But it is not enough. The British Commonwealth had not the power to beat down the aggressor without the United States and Russia. The only firm starting point, whether the goal is peace or prosperity, is the association embodied in the Chiefs of Staffs Committee and the Pacific War Council—and, without Russia, it is still no more than a starting point. Moreover, without a common policy for peace as well as war, in economics and politics alike, it may not even be a starting point, after all. Machinery is not enough.

The Great Advance

The past week has brought momentous events in Russia. All along the front, from Smolensk to Taganrog, the Soviet armies have advanced at the extraordinary average rate of 5 to 10 miles a day. With the capture of Stalino, the Donetz basin has been to all intents and purposes freed from German occupation; only the westernmost fringe is still (at the time of writing) in German hands and there can be little doubt that this area, too, will fall within the next few days. Everywhere the fighting has again become a series of battles for vital railway junctions. In the Donetz area, the Russians have captured Slavyansk, reached Stalino and threatened Lozovaya, all three places of vital importance to communications. The German retreat here stretches over a distance of about 200 miles, from the Kharkov-Izium sector in the north to the area east of Mariupol in the south. Between Kharkov and Poltava, the Russian thrust has gone in the direction of Krasnograd, the point where the Kharkov-Dniepropetrovsk railway cuts the Rostov-Kiev line. In the Kursk sector, the advancing armies have taken Konotop and swept forward along the Kursk-Kiev line, cutting into a dense network of lateral railways. Here is the base for future operations against Kiev, about 120 miles away. From Bryansk to Smolensk, the gains have been less spectacular than in the south; but they have been substantial and steady. The feature of the German retreat has been the relentless destruction of industrial and private wealth wrought in the areas of their withdrawal. The Russians have countered this policy, designed to slow down their advance, with the unequivocal statement that Germany will have to pay to the last penny for the enormous destruction. This threat will hardly deter the Nazis who are now fighting to prevent their own doom. "*Après nous le déluge*" has become the guiding principle of their conduct of the war.

Algiers Looks Forward

In the course of last week, it became clear that another political crisis was brewing in Algiers, and the satisfactory way in which the difficulties have been overcome shows that both the authority of the Committee and its sureness of political touch are rapidly increasing. The imminent possibility of the re-invasion of France had thrust two problems to the fore. One was the attitude which the victors would take towards the Vichy regime, the other, the kind of relationship which ought to be established between Algiers and the underground movement. Opinion was divided on the advisability of declaring the men of Vichy traitors now, or of waiting until their cases could be properly examined by a judicial commission. In particular, the Communist party pressed for denunciation now, on the grounds that the attitude of the re-invading armies would need to be clear from the start. The suggestion comes with peculiar unsuitability from the group who, in 1940, were quite as implicated as Pétain in the policy of defeatism, but there is no doubt that a great majority of French people feel nothing but resentment towards the men who weakened and disgraced France, collaborated with its enemies, worked against its friends and delivered up millions of French workmen to do hateful work for the enemy. In the event, Algiers has denounced the Vichy regime without waiting for a judicial enquiry. The problem of the relations between the Algiers Committee and the underground movements is probably the most delicate political problem of all. Some

of the resistance groups in France have professed the closest possible personal allegiance to General de Gaulle, and the Fighting French Committee in London for long controlled the coming in and going out of French agents and supplied them with their funds. Critics of the de Gaulle movement maintained that this control was helping to build up a sort of pretorian guard for the General inside France. They were not altogether reassured when, on the setting up of the Algiers Committee, contacts with the underground movement were put under the control of M. André Philip, a close and devoted collaborator of General de Gaulle. The imminence of military operations complicated the task of this machinery of collaboration. No one could doubt that the underground movement would play a very big military part once re-invasion began. In that case, it was essential to co-ordinate their plans with those of the French army, a task which M. Philip was not in the best position to accomplish. Now a compromise has been announced: relations between the French Committee and the underground movement will pass through a committee of three, consisting of General de Gaulle, General Giraud, and M. André Philip. In this way, the army has a direct say in the organisation of plans. At the same time, there can be no question of maintaining any sort of political monopoly for any one group.

New Men

While, on the whole, the new arrangements at Algiers met the point of view of those who pressed both for the open condemnation of Vichy and the organisation of the resistance movement under the primary responsibility of General de Gaulle, the Committee has wisely approved a number of new appointments and safeguards to ensure that a proper balance will be maintained. Men of Vichy are to be condemned; but a new Minister of Justice has been appointed, who, coming straight from organising the resistance movement in France, will have a much better picture of the state of French opinion than have the émigrés. M. de Menthon has had a distinguished record. He fought and was taken prisoner in 1940, escaped from the Germans and returned to found the resistance group *Liberté*, which is one of the groups helping to produce one of the greatest organs of resistance, the newspaper *Combat*. He held a post for a time under Vichy—the chair of Political Economy at Lyons—but when in 1942 the great purge of Allied sympathisers occurred, Bonnard, the Vichy Minister of Education, dismissed him. Before the war M. de Menthon was associated with M. Champetier de Ribes, who led the *Parti Démocrate Populaire* and as a Minister in the Reynaud Cabinet, was one of those who voted against capitulation. M. de Ribes also played a great part in the Catholic Social Movement in France. Another crucial appointment is that of M. Quetion. He was a very respected figure under the Third Republic, a Senator and member of a number of different Ministries. Prime Ministers came and went, but M. de Quetion's solid virtues and central position assured his continuance in office. He is now to preside over the Commission of Disembarkation. He will have a crucial rôle to play in deciding at which point the civil administration can take over from the re-occupying forces, in co-operating with the military leaders and in ensuring that liberated territory is provisioned and secure. Both these appointments speak well for the outlook of the National Committee; and it has further asserted its adherence to democratic forms by announcing that on November 3rd the first session of a new Consultative Assembly will take place. Efforts are being made to prevent this assembly from being a mere creature of the National Committee. Deputies and Senators, representative of the underground movements, are to sit on it and its task will be to supervise the work of the National Committee. A lot of ground has been covered in Algiers in the last week and on the whole the outcome is very successful. The French National Committee is acting with firmness and good sense, and the Allies can certainly welcome the proposal made by Washington that France should be given its rightful status as an independent nation and take part on an equal basis with the other United Nations.

Mr Bevin Gives his Word

Some months ago, Mr Churchill put on record the refusal of his Government to make pledges which it may not be possible to carry out. In his speech to the Trades Union

Congress on Tuesday, however, Mr Bevin gave two pledges which it is much easier to justify in principle than it will be to fulfil in practice. He stated them very explicitly. Length of service is to be the sole criterion for the release of men and women from the Forces after the war; and the law is to be amended so that employers will be compelled to reinstate volunteers as well as conscripts when they return. Both pledges are right and fair; but, also in fairness, Mr Bevin should have added that, except very broadly, neither is practicable. It is the Government's duty to see that, so far as possible, the men who joined earliest will be demobilised first; but it is the Government's duty also to explain candidly the industrial and military reasons which will make inevitable many exceptions, especially if the war with Japan lasts for a considerable time after the defeat of Germany. In fact, the immediate post-war task of public policy cannot be stated in individual terms. It is to maintain employment, not to retain or restore particular jobs; the onus for re-employing demobilised men and women cannot be transferred to individual employers, who by now may have a legal obligation to reinstate several persons in the same job, which may not now exist. Where reinstatement is possible it should be enforced, but it cannot be made a state pledge. The state's pledge is to provide work; and if employment is to be maintained after the war, both reconstruction and the transition from war work to peace work must be consciously planned with set priorities for the use of materials and labour. Just as there was need for a schedule of reserved occupations in the first stages of mobilisation, so there will be need in the first stages of demobilisation for some workers more than others—and, on the Forces' side, while fighting and occupation last, need for the retention of some soldiers, airmen and sailors more than others.

Discrimination must indeed be reduced to a minimum. Mr Bevin is right: there must be no loophole for wire-pulling or favouritism. But there will inevitably be differences of treatment, unless post-war policy both at home and abroad is going to fall into utter confusion—as it did after the last war. Then, it is true, planned demobilisation was tried and broke down in face of the natural clamour for fair play; and there followed the disastrous "rush from the colours" into short-lived dead-end employment. This time it is apparently proposed to fly to the other extreme, to court chaos with open arms, to make the "rush from the colours" official policy. The end of the last war taught two lessons: planned demobilisation is inhuman and unworkable; and unplanned demobilisation is disastrous. Surely, the right policy now is to temper justice with expediency in a viable compromise, and to explain frankly to those concerned why this has to be done. Any other policy will invite untold recrimination and bitterness.

The Trades Union Congress

A remarkable feature of this year's Trades Union Congress has been the emergence of a new alignment of forces. Hitherto, Congress has been dominated by the two powerful general workers' unions, the Transport and General Workers' Union and the National Union of General and Municipal Workers, which command 800,000 and 720,000 votes, respectively. This year, these two unions have been defeated on more than one issue of policy and organisation. The votes of the three other most powerful unions, and the most vital from the point of view of war production—engineers, miners and railwaymen—have been swung in the opposite direction, and the smaller unions have tended to follow their lead, rather than that of the general workers. The majority in favour of the reaffiliation of the Chemical Workers' Union—a "break-away" union which has been hammering at the door for the past seven years—was in itself a small incident; but it was the first occasion on which the General Council had been defeated for a very long time. A resolution calling upon the General Council to examine trade union structure, with a view to avoiding overlapping and competition was unanimously carried—though a similar resolution was rejected in 1942. The discussions on war production were overshadowed by those on post-war reconstruction, and there were barely any references to the prevention of strikes. The speedy implementation of the Beveridge report, a less leisurely pace in educational reform, a greater share in the control of industry, with the extension of public ownership over vital

industries: these were the claims put forward. The demand for the continuation of essential controls in the immediate post-war period was stressed by the chairman of the TUC, Dame Anne Loughlin, by delegates and by Mr Bevin. There was concern that certain employers, confident in approaching victory, were now seeking to revert to the *status quo ante bellum*. The 1943 Trades Union Congress shows that the organised labour movement—numerically greater than at any time in its history—is very conscious of its strength, and that it is determined to retain the advances it has made in wartime. So far, however, although Mr Bevin repeated his now familiar warning that there would have to be continued responsibilities, there has been little evidence to show which of their wartime responsibilities the trade unions would be prepared to accept in peacetime.

* * *

War Debts

The President of the United States has made a little-noticed concession to Congress which may, conceivably, have large implications—in view of the drift of American politics from the President's earlier ideas. In his recent Lend-Lease report to Congress, which is discussed in a "Note" on page 365, it was stated that the United States wants "no war debts after the war," but only victory and a sure peace. This was much what Mr Roosevelt and other Administration spokesmen had said on other occasions; but now it seems that, though "technically" true, it should not have been said. The Lend-Lease report has been appropriately amended. This is, of course, entirely a matter for the people of the United States to decide. Formally, as the President told the press on Tuesday, "the essence of Lend-Lease is that other nations should repay the United States as far as they can"; and the repayment can be in dollars or goods and services. Even on the merest arithmetical basis, indeed, repayment has already begun in the form of Mutual Aid; and, from time to time, the President has added refinements of calculation, such as the principle of "equality of sacrifice" applied to the relation between war effort and national income, which make simple arithmetic misleading. The comment that it is a matter of strategic accident, and therefore a poor basis for financial reckoning, whether munitions made by one Ally are employed in battle by its own forces or those of another country might just possibly be dismissed as special pleading—or restricted perhaps in its application to the 21 months during which the United States has been itself a belligerent. But there is a sense in which the question "Does the United States want war debts?" is very relevant from the purely American standpoint. Memories are still vivid of the way in which world trade and the international exchanges were bedevilled after the last war by war debts—and by the high American tariff, which, in the last resort, made repayment impossible, however good the will. The United States has to show that, this time, it will be possible for its debtors to acquire the dollars, or to sell the goods, required to balance the account when it is finally reckoned. Many people already fear that neither the Keynes nor the White plans for the post-war exchanges would work,

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

because of deep-set tendencies to disequilibrium that might wear out all their resources. War debts will not ease the position, to say the least, unless there is a great change of policy on the part of creditor countries.

BBC Changes

It was announced last week that Sir Cecil Graves had resigned his post as Joint Director-General of the BBC and that the Governors had appointed Mr Robert Foot, the other Joint Director-General, as sole Director-General and chief executive officer of the Corporation. More significant was the announcement that a new post had been created, that of Editor-in-Chief. The official announcement stated that, subject to the Board of Governors, the director-general and the editor-in-chief will be jointly concerned with the character and quality of the whole of the BBC's output. But a far fuller statement of the powers and functions of the editor-in-chief will be looked for when Parliament reassembles. The bald communiqué leaves a great deal unsaid. What are to be the exact relations between the director-general and the editor-in-chief? If they are to be such that a clash over policy may arise, whose view will prevail? There is surely a case for making editorial policy as independent in the BBC as, so it is argued in an article on page 355, it should be in the daily press. Or, to take another illustration, there might well be the same division of functions and responsibility as exists in a voluntary hospital, where the heads of the medical and administrative staff are both supreme in their own spheres. This assumes, of course, that the new post of editor-in-chief is intended to be far more than an honorary title. It may be that it presages no change in the existing process of stultification from the top and that the dull uniformity imposed on BBC programmes will continue. It is, at least, a good omen that so capable a man as Mr W. J. Haley, joint managing-director of the Manchester Guardian and Evening News, Ltd., and a director of Reuters and of the Press Association, should have been appointed to the new post, for he is not likely to have accepted it if he knew he was to be a cypher. But the public can only wait and hear.

Birds of a Feather

When a member of the National Union of Journalists asked the Trades Union Congress to recommend that its affiliated bodies and trade councils should admit as press representatives to their meetings only members of the NUJ or of unions recognised by the International Federation of Journalists of Allied or free countries, he probably doubted whether such a scandalous proposition would be accepted—even at the headquarters of the "closed shop." As it happened, the Conference accepted it unanimously, and so indicated "its confidence in the NUJ as the one organisation recognised by the great and powerful trade union movement to speak for working journalists." More than that, it asserted the right to prevent journalists not of a trade union or belonging to the Institute of Journalists—the real nigger in the woodpile—from hearing trade unionists speak at all. It is a claim that should be indignantly denied, despite "the greatness and the power" of the TUC. Journalists have a right to organise themselves for the purpose of bargaining with their employers. Like printers, they do so very successfully. But, even with the complacent connivance of the TUC, they have no right, by intimidation, pressure and the restraint of other journalists' trade, to prevent others from organising themselves as they wish if they can. And this is pre-eminently a case in which, as *The Times* has put it, the freedom of the press implies the freedom of the public—freedom, through any of its representatives of the press, to attend and hear, without passport, let or hindrance, all public proceedings. The NUJ, which has lately been full of fine words about the freedom of the press, has taken this aggressive action against the IJ because the latter has just been recognised by the Newspaper Proprietors' Association, quite legitimately, as a negotiating body to deal with wages and conditions—not, it should be emphasised, as the exclusive negotiator, but on a parity with the NUJ. Hence this attack—and, once again, narrow sectional interest and the closed shop have appealed more to trade unionists at large than the democratic principles about which they talk so much.

International and Industrial

Sardonic critics regularly claim to have discovered that the so-called principles of economics actually change with the times. The latest instance of this badinage arises from—or, rather, has been stimulated by—a remarkably interesting analysis of pre-war trade by Mr H. Frankel which has been published in the latest *Economic Journal*. Mr Frankel shows from the facts that trade is no longer simply an exchange of manufactured goods for primary products—which is, of course, a truism. More interestingly, in his examination of trade between industrialised countries, he shows how these countries tend to export and import the same manufactured articles, with this characteristic, that there is a difference in quality, and therefore in value, between the goods sold and those bought. Thus Britain both sells and buys boot and shoe making machinery and cream separators, but the machinery and separators exported were of better quality and cost more than those imported. This trade is thus based on differences of skill and workmanship, not on differences in natural resources. And so, it is argued by some, the old theories of the international division of labour are outmoded. This is, of course, nonsense. Times and the terms of trade have indeed changed. But the old principle that it is best for a nation to produce those things which it can make more cheaply than buy, and to purchase from abroad those things which it can buy more cheaply than make, is thrown into a newer and truer relief—without being over-confused by the ephemeral circumstance that the trading nations were for a time, as to a point they still are, sharply divided into industrial and agricultural countries. Moreover, light is thrown on Britain's trading future. There need be no fear because the nations can say, with increasing truth, that "we are all industrial now," provided this country can remain sufficiently skilful in the production of high-grade goods. Indeed—aside from the very important fact that this country must sell goods to mainly primary producing countries in order to obtain essential raw materials and food in return—the more industrial countries should be better and more profitable markets for manufactures of quality. The deciding factors will be the efficiency of British industry and the degree of productivity with which its material and human resources are employed, which is a very old and very true principle of economics.

National Output

One of the most striking features of Great Britain's pre-war economy, revealed during the war, was its reserve of productive capacity. By utilising manpower fully, it has proved possible to maximise the strength of the Services and, according to Mr N. Kaldor's calculation in the June-September issue of the *Economic Journal*, to add 4 per cent to the number in insured employment between 1938 and 1942. If allowance is made for an 11 per cent increase in average weekly hours of work, the number of man-hours worked rose by 15½ per cent during this period. But this is not all. There has been an increase of 6 per cent in the output per

THE SOURCES OF WAR FINANCE
(£ millions at 1938 prices)

	1940	1941	1942
Increased production.....	300	710	1,140
Reduction in consumption.....	415	645	665
Increase in adverse overseas balance	455	445	285
Reduction in private investment, including reduction of private stocks	625	615	565
Increase in Government expenditure on goods and services from 1938	1,795	2,415	2,655

man-hour, which indicates that production in 1942 was 22½ per cent higher than in 1938, by no means a year of depression. The accompanying table, taken from Mr Kaldor's article, shows the increase in Government expenditure since 1938 at constant prices. It reveals that, in 1942, much the most important single contribution to the increase in national income, 43 per cent, came from an increase in production; the reduction in consumption provided 25 per cent, a decline in private investment and privately held stocks 21 per cent, and an increase in the adverse balance of payments 11 per cent. Mr Kaldor estimates that if hours of work were reduced to the level of 1938, and if half of the additional 5 million persons now in industry and in the Services could be retained in industrial employment after the war, home-

produced output would be 18 per cent higher than in the last pre-war year; with reasonably full employment and a further improvement in productivity, it would be possible to envisage an output greater by a quarter than that of 1938. Mr Kaldor is certainly not a pessimist.

Pit Boys' Wages

The announcement of the award of the National Tribunal on the wages of boys and youths in coal-mining came as a rude shock to those who were optimistic about the prospects of attracting labour to coal-mining. At the very moment when Mr Bevin was broadcasting an appeal to boys to volunteer for the pits, and outlining a picture of the prospects of a permanent career which the industry could offer, the Tribunal awarded a wage scale which in some cases compares unfavourably with the present rates, and is indeed substantially less than the employers originally offered. It is hardly surprising that Mr Lawther, president of the Mineworkers' Federation, should have strongly criticised the award, and it was somewhat disappointing that Mr Bevin should have omitted all reference to the coal situation in his speech to the Trades Union Congress. The needs of the coal industry for labour have been given high priority, and the strength of the miners' claim for better wages and conditions is widely recognised. The Tribunal's award is contrary in both letter and spirit to the recommendations of the Forster Committee on juvenile recruitment, which, without entering into details, proposed that there should be a wage scale for young miners comparable to that established for adult workers. Quite apart from its bearing on recruitment, the award may bring into discredit—and possibly jeopardise—the negotiating machinery set up in accordance with the Greene Tribunal's findings. Juvenile wages was the first issue to be referred to this Tribunal, and the award is not of a nature to command the miners' confidence in the future working of the new machinery, which at the time of its establishment was hailed as inaugurating a new era in industrial relations in the mining industry. The miners, it is reported, are restive and discontented; they regard the Government's demand for more coal and more labour for the pits and its treatment of mining workers as contradictory and irreconcilable.

Dictatorship in Argentina?

Since the Ramirez Government announced that no elections would be held in the autumn, evidence has accumulated that the tendencies of the new regime are along the old familiar lines of authoritarian dictatorship. American correspondents report that the new regime is based upon a typically Fascist programme of "corporative democracy," and the correspondent of the *Baltimore Sun* describes the regime as "anti-semitic, anti-Communist, anti-labour, anti-foreigner and especially anti-United States." Many of the actions of the Government certainly bear out this interpretation. The headquarters of the National General Workers' Federation has been closed. A number of so-called Communists have been arrested, both at Buenos Aires and in the provinces, and sent off without trial to Patagonia and Terra del Fuego. The Government's hold has been tightened over all means of propaganda. The pro-United Nations weekly *Argentina Libre* has been suspended, and *La Vanguardia* was temporarily suppressed for some criticisms of Government policy. All Left Wing publishers have been raided and closed. The press and the radio seem to react mainly against the Allies—even President Roosevelt's speeches are censored. All the relief organisations for the British, American and Soviet Red Crosses have been closed down. There are reports that a Council of seven Corporations is to take the place of Congress; the supreme power is to be the Head of the State. There are reports, too, of the setting up of volunteer militias "for the formation of national consciousness." The anti-foreign bias can be seen in the suspension of facilities for naturalisation and in the various steps taken against British and American economic interests. Measures have been taken against the British and American Buenos Aires Transport Company, and the British president and the American manager of one of the Buenos Aires electric companies were recently detained and their books seized. However, undeterred by the curious impression made by this regime, Admiral Storni has written to the American Government requesting military aid under Lend-Lease. "The rumour," Admiral Storni protests,

has spread that General Ramirez and the armed forces and men who form the new Government profess the markedly totalitarian ideology or at least that we look upon Axis Powers with great sympathy. I can affirm, and I beg that you, Mr Secretary, accept this affirmation as the word of a man of honour, that such assumptions are absolutely false. The Argentine nation, its armed forces, and the men in its Government base their acts on the firmest democratic convictions.

It is not altogether surprising that Mr Cordell Hull has refused the request, for Argentina has still to implement the steps taken by the other American Republics for breaking off relations with the Axis. Mr Hull declared that in the opinion of the United States, Argentina

has indicated clearly that Argentine armed forces will not, under present conditions, be used in a manner designed to forward security in the new world.

Brazil in the War

The reason compelling the Argentine Government to swallow its anti-American prejudice and request Lend-Lease aid is undoubtedly the growing military strength and prestige of its great neighbour, Brazil. With American aid, the Brazilian Navy has grown into a useful force with up-to-date equipment—nine destroyers and twelve corvettes have already been built in Rio de Janeiro—and it has gained battle experience in the anti-U-boat war. By the end of this year, the Brazilians expect to have about 250,000 men under arms, not all of whom will be sent overseas. In August, the Minister of War was again in Washington to speed up military supplies and confer with the American military authorities on the use to be made of the expeditionary force. American aid has been even more striking in the economic field. It is estimated that there are now 76,000 factories registered with the Ministry of Labour, all working on Allied requirements. In particular the district of Sao Paulo in the south is growing rapidly in economic importance; the stimulus of coffee has been succeeded by the growth of textile and light engineering industries, in both of which this city of over a million people has made great strides since the war. Brazil exported in 1938 500,000 lb. of cotton piece goods. (In 1941, 19 million lb. were exported, 11 million lb. to Argentina alone.) Electrical components are now being manufactured on a large scale. Increasingly, too, Sao Paulo is sharing, on the manufacturing side, in Brazil's rubber revival. It contains 74 rubber factories, three of which are large tyre-producing plants. These industries may be expected to receive a fresh stimulus from the trek westwards in search of wild rubber out into the Matto Grosso (a part of which has been opened up by the new railway to Corumbá). While rubber in the larger Amazon basin is being exported to the United States, Matto Grosso rubber now finds a natural outlet in the southern industrial region of Sao Paulo. The Brazilian *Commissao de Controle dos Accordos de Washington* is reported to be studying the feasibility of a highway from the River Paraguay northwards to Manaus, the Amazon rubber centre, to link these two widely separated prongs of the rubber drive. This big economic expansion, which is being given a firm industrial basis, has its repercussions on the general political strategy of South America. The

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

attractive power of a strong and prosperous Brazil on its neighbours would obviously be very great and would complete with Argentina's claim to be the greatest and most influential South American state. Indeed, there are already signs of new economic and political configurations which cannot fail to be a cause of friction unless the ABC states (Argentina, Brazil and Chile) can come together within a wider co-operative framework.

* * *

The Case of Bolivia

Bolivia is an example of the way in which Brazil's growing economic importance can have political repercussions. As an article on page 369 shows, several recent agreements with Brazil have strengthened the latter's influence in Bolivia. In addition to these specific agreements, Bolivia seems likely to look with greater interest to Brazil as a consuming and processing market for at least some of its mineral output. Southern Brazil has known coal deposits estimated at over 5,000 million tons, and plants have already been set up in Brazil for the extraction of zinc from Bolivian ores as well as for aluminium manufacture from native Brazilian bauxite. For Bolivia, too, whose Andean region is rich in minerals but poor in food, there is the prospect of tapping the wheat and cattle zone which extends southwards from Sao Paulo. Bolivia's growing cooperation with Brazil in the economic field has been followed by a Bolivian request to Chile for a corridor to the Pacific, where Bolivian traffic already enjoys free port facilities from both Chile and Peru. Chile has rejected the request, with, significantly, the support of Argentina, whose Foreign Minister has informed the Buenos Aires representatives of Bolivia, Brazil and Chile that Argentina is firmly opposed to any action "likely to disturb South America." This revival of Bolivian irredentism, latent since the country lost the nitrate coast in 1883, is one more instance of the intensely nationalistic background against which the development of South America's hinterlands is proceeding. Economic expansion is very vigorous in and between complementary regions where national boundaries are often arbitrary rather than natural. In the thrust of the large maritime republics into the interior, Brazil has been the first to approach the hitherto undeveloped Bolivian jungle. In the process, it offers Bolivia, and to a lesser extent Paraguay, the prospect of an eventual connection which must strengthen their economies and, by bringing them into Brazil's sphere of influence, increase the suspicions of Chile and Argentina.

* * *

Basic English

When such a master of English as Mr Churchill speaks in favour of the adoption of basic English as a medium for international intercourse, the most conservative must think again. The Prime Minister announced, in his address to Harvard University, that a Committee of Ministers is studying the subject and will report upon it. The chairman, it has since been made known, is Mr Amery, and the other Ministers are Mr R. A. Butler, Mr Oliver Stanley and Mr Brendan Bracken. There are strong reasons in favour of the spread of basic English. The English language is a difficult one to learn, and if a knowledge of English culture and an understanding of English ways of life are made easier by simplifying the English language to consist of 850 words—650 nouns and 200 verbs or other parts of speech—then the scientific study and use of basic English may be a valuable means of breaking down the barriers between the Anglo-Saxon countries and the rest of the world. It may be of particular value in the education of primitive peoples. Sir Harry Luke, formerly Governor of Fiji, tells us* that in the pidgin English of the Pacific "mine" and "thine" become "b'long-me-fella" and "b'long-you-fella," while a violin is "one small bokkis b'long whiteman all he scratch him belly b'long him he sing out good fella" and a gramophone "one bokkis b'long whiteman he get voice he no get man." Basic English should do better than this. But there is the great danger that too wide a spread of basic English may lead to the atrophy of

* "The British Pacific Islands." Oxford Pamphlets on World Affairs.

real English. English—and American—are both rich languages and have much to learn from each other. They are not sufficiently well known even in their own countries, and it would be a national disaster if the English and American people went through their lives speaking and reading nothing but basic English. Put some of Mr Churchill's own speeches and writings into this language and see how much of the fire and vigour are left. Even the famous and thunderous "Nay" would presumably be translated.

* * *

September 2, 1943

The Economist is now settling down into its second century, and the time has come to write *finis* to the chapter of its centenary celebrations. But before this is done it may be of advantage briefly to set on record the form these celebrations took and to express *The Economist's* thanks for the many messages of congratulation it received from home and overseas. Sir Walter Layton was in the chair at a luncheon given by the directors and held in the Connaught Rooms. After the loyal toast had been drunk, he began his speech by reading out a telegram, reproduced elsewhere in this issue, from President Roosevelt, which was greatly applauded. The toast "*The Economist*" was then proposed by the Chancellor of the Exchequer, Sir Kingsley Wood, and supported by the Governor of the Bank of England, Mr Montagu Norman, and the Home Secretary, Mr Herbert Morrison. The Editor replied. Unfortunately, paper rationing makes it impossible to reproduce these speeches in *The Economist* itself, but for the benefit of readers they are being printed in a pamphlet, together with the leading articles of last week's centenary issue. All that can be done in these columns is to place on record *The Economist's* gratitude to the speakers for their kind words. It would also like to thank all those, representing so many walks of life—including politics, economics, finance, industry and journalism—and numbering 119 in all, who honoured the paper by their presence at the luncheon, and it deeply regrets the enforced absence of two of its trustees—Sir William Beveridge and Sir Charles Hambro—of Mr Brendan Bracken, and, particularly, of Sir Henry Strakosch, its chairman, owing to serious illness. In the evening, a more informal celebration took place at the Savoy, where, by invitation of the staff of *The Economist*, over 200 people were present at a cocktail party. This was no occasion for speeches. It was merely a happy gathering of *The Economist's* friends, and the staff was delighted that so many were able to be present. And so to the second century.

* * *

Shorter Notes

The Colonial Economic Advisory Committee, foreshadowed by Mr Oliver Stanley some time ago, has now been set up. It is a strong committee, composed of persons with administrative experience in the colonies or first-hand knowledge of them and of economists, and from its wide terms of reference it should give a new impetus to the economic development of the colonies.

*

Oxford University is planning to establish a Department for Ophthalmic Research, and is appealing for £250,000 for the purpose. In 1941, out of a total blind population in England and Wales of 74,000, some 63,000 were over 40 years of age and were thus cut off from leading a normal working life. Apart from actual blindness, the relation of eyesight to general health and, particularly, the importance of healthy and efficient eyes in industrial life are other important fields of research. The new department is certainly wanted. But, for the community, what is even more wanted is the opportunity to avail itself of the fruits of research. National provision for the testing and treatment of eyesight is far more inadequate even than the present provision for research.

AMERICAN SURVEY

A Party Question at Mackinac

The foreign policy plank evolved at Mackinac by the Republican Post-War Advisory Council looks not unlike that all-things-to-all-men formula which it has been confidently believed that Senators Vandenberg and Taft had up their sleeves all along. It favours American participation in a "co-operative organisation among sovereign nations" to ensure peace, but is securely qualified by the provision that wherever such participation might endanger American national interests, the United States would adhere to its "constitutionalism," whatever that may mean. The triple responsibilities of the United States after the war are held to be the preservation of all national interests; aid in restoring order and decent living in a distressed world; and the acceptance of a full share of a programme for permanent peace. This is perhaps all that could be expected from intensive study throughout two days by a committee under the chairmanship of Senator Vandenberg. The "conspiracy to avoid commitments" has come off. The Council has refused to follow Governor Dewey's lead or to be smoked out by Deneen Watson's stern warning against producing a "weasel-worded plank on foreign policy." It has taken what Mr Watson would certainly regard as ignoble refuge in magic phrases about the preservation of sovereignty and the constitution. Yet, it would not be an exaggeration to say that the very calling of the Conference is a tribute to the irritating goad which Mr Willkie has fixed in the side of the party machine. The meeting was not unlike a performance of "Hamlet," in which not only the Prince of Denmark, but Polonius and the Ghost are missing, for not only was Mr Willkie, the titular head of the party and its most impressive personality, missing, but Mr Hoover and Mr Landon were also uninvited. Yet all three had their representatives upon the stage, and the liveliest ghost of all was probably Mr Willkie, despite the plank that was produced. Governor Dewey's conversion to the idea of a firm Anglo-American military alliance—that "fool statement," according to Senator Taft—is proof of which way the wind is blowing. Governor Dewey is as sensitive a political barometer as the Republican Party possesses; and not prone to leaps in the dark.

* * *

Check-Mate to Dewey?

While Governor Dewey develops his theories of international collaboration at Mackinac, an electoral campaign is going on in his home state which may decide whether one of the Republicans' favourite sons will be free to be drafted next year. The death in office of the state's lieutenant-governor has made necessary a new election in November, as the courts were unsympathetic to the Republican view that the vacancy should be filled by a Dewey appointment. The rival candidates are General Haskell, Democrat, and Mr Joe Hanley, Republican, the majority leader in the state senate. Should General Haskell be elected, the pressure to draft Governor Dewey—if the need should arise—would be substantially offset by the unwillingness of the Republicans to turn over a key state like New York to their opponents. A Democratic victory would also adversely affect Mr Dewey's prestige and Republican patronage powers, perhaps with some effect upon the choice of New York's electoral votes next year. The feud between Mr Farley and President Roosevelt which let Governor Dewey in last year appears to be healed for the occasion; and the American Labour Party, which refused to support Mr Farley's candidate in the gubernatorial election, has now withdrawn its candidate in favour of General Haskell. The Democrats are working hard to recapture some of their lost prestige.

* * *

Labour Under Sanctions

Although it is early for conclusive evidence, President Roosevelt's fear lest one section of the Smith-Connally Anti-Strike Act should stimulate rather than discourage stoppages looks like being borne out in practice. The National Labour Relations Board, which has to administer the Act, and should not be confused with the War Labour Board, is said to be on the point of requesting Congress

to eliminate the section of the Act requiring a thirty-day cooling-off period before a strike vote may be taken, and thus, by implication, accepting the principle of strikes in wartime. The case that precipitated the Board's decision involved a dispute in the Allis-Chalmers plant in Springfield, Illinois. Here District 50, Mr Lewis's catch-all union, demanded a "strike vote" as a means of bringing pressure to bear on the NLRB to hold an election to determine whether the workers should continue to be represented by the CIO union with which Allis-Chalmers have a contract, or by District 50. The NLRB refused the request, on the ground that a new election before the current contract expired would establish a precedent which would unsettle labour relations throughout industry. Undeterred, District 50 has again threatened to strike; and, most significant of all, the management has backed it up, out of, it is said, the fear that a strike would lead to Government seizure of their plant. This lends a certain colour to reports that business is finding the Anti-Strike Act less of a damper on unrest, and more of a boomerang, than it expected. Meanwhile the War Labour Board, perhaps under the influence of its new sanctions, has been pursuing a firm line. It has turned down the portal-to-portal pay provisions embodied in a contract between John L. Lewis's United Mine Workers and the Illinois Coal Operators' Association. A development which is being watched with interest is the gradual return of the mines to private ownership. Mr Ickes has announced the relinquishment of Government control over about 100, belonging to 53 companies. In accordance with the Anti-Strike Act, which requires the return of seized plants within 60 days after the restoration of "productive efficiency," he is now surveying the remaining 1,300 mines under his control. Mr Lewis, it will be remembered, put himself on record as saying that the miners would feel themselves free to strike if the Government returned the mines to the operators.

OUT THIS WEEK

Transatlantic

*The new Shilling Monthly
published by Penguin Books*

Who are the rooters, and why do they root? Will America go back to Isolation? Who is Joe Ball? What does Geography do to America?

THESE and a great many more questions are answered in the first number of TRANSATLANTIC. The people who matter in Washington—life in the small farming communities—the hot, sleepy Old South—the treeless Great Plains—the weeping forests of the North-West—financiers, cow-punchers, statesmen, gauchos, lumbermen . . . You will find them all from time to time in word and picture in this unusual new monthly.

TRANSATLANTIC is British owned and edited—a magazine of information without official bias. It will not try to make you admire everything American, but will try to ensure that you base your likes and dislikes on knowledge instead of supposition. Its purpose? To assist the British and American peoples to "walk together side by side in majesty, in justice and in peace."

Order your copy of the first number now

THE WORLD OVERSEAS

Italy Under Badoglio—I

IN all great social or political upheavals the origin of the upheaval, the point at which the collapse of the *ancien régime* started, is blurred and obscured by the quick succession of events. The collapse of Italian Fascism has been no exception. Six weeks after Mussolini's downfall, and on the morrow of the unconditional surrender of Italian arms, the question may still be asked by whom was the Duce overthrown: by a conspiracy at the top, in which the King, Badoglio and some members of the Fascist Grand Council were involved, or by popular forces which military defeats had suddenly awakened from their long-lasting lethargy? There can be no doubt that, for several months before the July crisis, political ferment was growing in Italy; a strike movement was spreading over the industrial north; defeatism was taking hold of the minds of the people; the regime was visibly losing control. This restiveness among the masses would by itself hardly have brought about the collapse of Fascism so quickly. But it was the spectre of popular revolt that inspired the Court and the military hierarchy with fear. Victor Emmanuel and Badoglio resolved to act. Mussolini was dismissed. But Mussolini was more than the head of the Government. He was the leader and the symbol of a system; and his dismissal was the death knell of Fascism. The plot at the top, which was meant to forestall rebellion from below actually became the catalyst of a revolutionary process; and, during the six weeks that elapsed between July 25th and September 3rd, when the armistice was signed, the Italian revolution had already gone through several distinct phases.

The Night of July 25th

In a period of political cataclysms a single day or a single night may mean more than a whole decade of normal political life in a quieter era. The night after Mussolini's downfall was, in itself, a distinct phase in the evolution of post-Fascist Italy. The Court opened the flood-gate; and the flood immediately swept the streets of the Italian cities. The scenes are known from the history of revolutions: enthusiastic crowds cheering the benevolent king and his new advisers, the men and the symbols of the recent past insulted, humiliated and hunted down. In their first intoxication with freedom the Italian people knew no slogan except "peace." This one demand seemed to imply all the rest: the end of the oppression and corruption associated with the regime which had driven Italy into the war. In the first fit of joy, during that festival of liberation which lasted no more than a day, the immediate fulfilment of all those desires seems to have been taken for granted by the cheering crowds. But the night of July 25-26 brought a fresh surprise. On the morning after Mussolini's downfall the still clandestine parties of the Opposition appeared on the stage. Events had not caught them napping. During the night their newspapers were already being printed in Rome—and in tune with the mood of the masses, they demanded immediate peace. But, at the same time, they warned the masses against their own illusions. Mussolini

had gone, but Fascism had not been destroyed. The King and Badoglio had themselves been Mussolini's accomplices. The demand for peace was immediately linked with the demand for the restoration of democratic liberties. During his first few hours in office Badoglio learned that the underground movements would not allow Italy to relapse into political amorphousness; the dismissal of Mussolini must, of necessity, be followed by the liquidation of Fascism. He could gauge the strength of the defeatist mood in the ranks of both the organised opposition and the unorganised masses.

The next phase, roughly from July 26th to the first days of August, was occupied with Badoglio's attempts to combine the liquidation of Fascism with the suppression of the anti-Fascist opposition. The first part of the programme was dictated by the need to appease the people, the second by the desire to preserve the new Government, to swamp the centres of defeatist propaganda, and to rally the people for the continuation of the war. The Fascist party was dissolved, but at the same time all political parties and organisations were banned. Some political prisoners, especially those belonging to the Right Wing and moderate factions, were released; but martial law was declared for the whole of Italy. A committee to investigate the illicitly acquired fortunes of the Fascist leaders was established; but no prominent Fascist leader was indicted. The Fascist Militia was incorporated into the Army, and the most compromised prefects of police were dismissed; but the police and the Army were ordered to enforce the ban on meetings and political activities; and newly-established special courts tried those who transgressed the ban, and fresh batches of political offenders were sent to prison. This policy culminated in the decree of July 30th, under which all the workers and employees of the railways, post and telegraph were militarised.

Government and Labour

The first half of August brought an open clash between the Government and the Labour movement, and ended with the failure of Badoglio's dual policy. The parties of the Opposition had threatened a general strike in July. They were not strong enough to carry out the threat; nor would they risk an all-out challenge to the ban on their activities. But they proved strong enough to exert powerful pressure on the Government and to make the ban practically ineffective. Meanwhile, the political centre of gravity had shifted very distinctly from Rome and, generally speaking, from the south to the industrial north. Genoa, Turin and Milan became the centres of half-spontaneous and half-organised sit-down strikes. The character of these strikes was economic as well as political. In many cases the workers explicitly refused to produce anything connected with armaments, and demanded an "immediate change-over from war production to peace production." The other purely political demands were the release of old and new political prisoners, the abolition of martial law, freedom of the press and so on. The economic claims were concerned with increases in wages and indemnities for wages lost during air raids. At the same time, "factory councils" emerged. What has been their rôle so far is not quite clear. It seems that they have not joined to form town or regional councils; and that, consequently, their rôle has not been very important. Even so, the Badoglio Government was in the first days of August confronted with a double menace from the north: the local strikes threatened to spread into a general strike; and the factory committees threatened to transform themselves into workers' councils.

This double threat has compelled the Government to seek some compromise with the Opposition, and especially with the Labour movement. The eight-hour day has been re-introduced. Special tribunals have been established to revise the cases of political prisoners who have been convicted on charges of pro-Allied activity. Under a decree of August 10th, the Corporative Organisations have been suppressed.

The Federation of Industrial Workers has been put under the leadership of two only recently released Syndicalist and Socialist leaders, Buoizzi and Roveda, and the direction of the Farm Labourers' Union has been entrusted to a Communist trade union leader. Finally, on August 20th and 21st, the Minister of Industry and Labour, Piccardi, paid a visit to Turin and Milan, where general strikes were already in progress. The Minister got into direct touch with the factory committees and the Labour organisations. The result was a sort of an armistice between Government and Labour. The strikes were called off; and on September 2nd a special agreement defining the status of the factory committees was signed between the Ministry of Industry and Labour and the trade unions. The agreement has confined the committees to purely economic activities and deprived them of the revolutionary characteristics which they were beginning to develop. Finally, the leaders of the various political groups have been permitted in spite of the ban, which is formally still in force, to assemble in Rome in order to discuss schemes for the future organisation of their parties.

The concessions made by Badoglio met with response from the Opposition. The leaders of the trade unions started to calm the ever-louder clamour in the factories for peace. Probably not the whole of the Opposition followed the new policy—some reports, for instance, say that the *Giustizia e Libertà* group has accused Buoizzi and Amedo of "treason to the people"—but Badoglio has undoubtedly scored a success, if only by achieving a split in the ranks of Italian Labour. This success can be explained by various factors. Events have shown the relative weakness of the new regime as well as of Italian Labour. For the time being, no side seems to be able to venture a trial of strength. On the other hand, Badoglio and his Ministers undoubtedly met the clamour for peace with the assurance that their policy aimed at the early cessation of hostilities; and leading Socialists felt free to plead for the workers' support to Badoglio on the ground that "he will give you peace if you have patience enough and support his efforts." The conclusion of the armistice has now proved that these pledges were not baseless. But the whole trend of events also shows that, though Badoglio is the formal signatory of the armistice, the capitulation has been forced on him by irresistible popular pressure inside Italy no less than by the pressure of Allied arms outside.

The armistice on the battlefield—though fighting against the Germans in Italy will go on—will now undoubtedly impart some measure of stability to the armistice in Italy's domestic policy. But the capitulation is also certain to act as a powerful stimulus to the development of the popular forces which will hail the cessation of hostilities as their victory.

Vatican Policy in Europe

[BY A CORRESPONDENT]

ON September 1st, the Pope broadcast an appeal to the world. In content it marked no difference from any of the earlier appeals that have come from Rome during the war. Since 1939 the Pope has pleaded with the belligerents to put an end to the war by a negotiated peace based on respect for the cultural and political rights of every nation, great and small, a peace of justice which would appease the passions roused by the war and give some hope of lasting reconciliation. To-day the appeal is still the same—that is, the substance is the same, but the context is completely different. In the past, the Pope's addresses have had an air of great unreality. The Axis nations were the probable victors and were quite uninterested in a peace based on justice. The totalitarian flood had blotted out the Vatican's political influence in the Councils of Europe. Inside the occupied countries, and, indeed, in Germany itself, the direct social and spiritual influence of the Church was steadily growing as the pulpits became the most open and outspoken centres of resistance to Nazi oppression. But the Vatican could not officially profit by this growth of prestige. Operating at the level not of home or school or concentration camp, but of Government and diplomacy, it continued to state in a sort of vacuum the principles for which the local leaders were fighting. It was not impressive. The diplomatic function of the Vatican was held to debar the Pope from particularising the Church's general condemnation of aggression. The victims were naturally aggrieved that no direct reference should ever have been made to the

INDUSTRY AND PEACE



A WORD FROM THE NEW WORLD

"Industry is helping to win the war . . . industry must help build a peacetime world.

To-day, all industries must produce as never before, must speed the output of food, tanks, planes, guns, ships and other instruments of war—must conserve vital supplies—that we may win quickly a decisive victory.

To-morrow, all industries must continue to produce—beating swords into ploughshares—to prevent world-wide unemployment leading to ultimate economic collapse.

If the world is to prosper, there must be the same cohesion among the United Nations during the transition period and thereafter as now exists during the world-wide conflict. Internal stability here and in other nations can be gained and maintained only by sustained industrial production and by interdependence.

The people of this country, in common with the people of other lands, will prosper materially and spiritually when this war is ended, but only if plans world-wide in scope are formulated promptly for A JUST AND DURABLE PEACE."

★ ★ ★

The above Statement has been issued by the International Nickel Company of Canada and is widely published in Canada and the U.S.A.

We reproduce the Statement here because we believe that all engaged in industry in Britain will approve its principles and desire to collaborate with all the United Nations in formulating plans for a "just and durable peace."

Published by

THE MOND NICKEL COMPANY LTD

Grosvenor House Park Lane London W1

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.

fact that Germany and Italy were the aggressors and Poland and Greece were not.

Today the situation has altered radically. The nations "less favoured at a given moment by the fortunes of war" are now the aggressor nations. The victorious Powers are those who share the Pope's desire for peace and who in their war aims do not greatly diverge from his appeal for justice. At the same time, the political influence of the Vatican in Europe is on the increase. This is partly a dividend earned by the central power from the outlay in courage and fortitude made by the local clergy. It is due even more to the fact that the proud totalitarian regimes which tricked, cajoled, undermined, discredited and finally fought the Church are now "going down to the chambers of death." Europe is losing its old leadership. There is still no certain sign of the new. The Vatican can play and is playing a new and vigorous part.

A Peace Party

The most striking manifestation of it has already occurred in Italy. It is also apparent in Germany and among the satellites. It lies in the emergence of the Church as an active factor in the undermining of the totalitarian government and in the emergence of a strong peace party. The fall of Tunis and the February crisis in the Fascist party convinced the Vatican that Italy could not remain in the war much longer; that Fascism was growing more and more discredited; and that the nation was thus drifting into a state of military and political deadlock from which a violent social explosion followed by a dictatorship of the Left might be the only way out. The Vatican's policy towards the Fascist party changed from one of reserve to open hostility. In June the Vatican radio began a peace campaign and the Church leaders made a bid for mass support among the workers of the North. The culmination was the Pope's address on June 15th to a mass meeting of 26,000 workers in Rome in which he reaffirmed his paternal regard for the rights and interests of the workers and declared that "no one has pleaded and exhorted more continuously than we have: peace, peace, peace."

The Fascists had no illusions about the significance of the meeting. The *Regime Fascista* attacked it as a "political mass meeting." The bishops followed the Pope's lead and, vigorously led by the Bishop of Turin, launched a campaign for peace and reform. The influence of the Vatican in the transfer of the Government to Badoglio must certainly have been great; and, since that time, the Church has thrown its full weight in support of the new regime. This may have a stabilising effect. It mends the deep division in the Italian state which has been a source of weakness since 1870. For the first time since then, Church and State are united in a common policy. Much will depend on the repercussions among the Italian people to Badoglio's capitulation and on the next phase of the war. Much will depend, too, on the extent to which the mass of the people are associated with the new regime. The Church is making a strong bid for working class and trade union support. The campaign of "peace and reform" is designed to check the extremists to both Right and Left.

Germany and the Vatican

The Vatican's policy in Germany has followed a similar line—of encouraging a peace movement and, as far as

possible, of directing it. For years past, the German bishops have not given Nazism even the passive acceptance conceded to Fascism in Italy. Under such leaders as Galen, Faulhaber, Preysing and Bertram, the struggle has long been intense. In the autumn of last year, however, the opposition of the Church to the Nazi regime became far more bitter. The new year saw a series of fierce and open attacks on the regime. Bishops' pastorals denounced the anti-religious education of youth, racial discrimination, the attack on human rights and liberties. These were followed by a Papal allocution speaking of an independent Poland. In June the Nazis put up a Dr Friedrich on the Paris wireless to lead a counter-attack. The Church was violently attacked and accused of war-mongering. So strong was the Vatican reaction on all its services, especially the Dutch service, that the Nazis were driven to issue a disclaimer.

The fall of Mussolini brought a sharp change of policy. The open attacks have ceased. Instead, all German pastoral letters in recent weeks have dealt with air raids, not, however, in any belligerent spirit—they are described as a chastisement for the sins of the people—but in an attempt to rally towns and cities and individual groups to self-reliance and self-help and a bearing of each other's burdens. Why this change in policy? There is probably a twofold reason. The Church does not wish to see the moral substance of the people completely rotted by misery and terror. But, more imperatively, it does not wish to become involved in any "stab in the back" campaign. It would be very easy for the nationalist extremists in a few years' time to say "Yes, in Germany's darkest hour, the Church attacked the resisting Government." If the Catholic leaders are to play a part in the country's future, they must encourage the peace movement now, but without losing their dignity and prestige in the process. That is their argument. The line to-day is: no support for the war, strong appeals for peace, but no defeatism. The Pope's most recent broadcast shows that the Vatican does not wish Germany any more than Italy to be submitted to a ruthless and unnegotiated peace. The Church is shrewd enough to see that dismemberment of Germany would undermine the Catholics' opportunity of playing a leading part in Germany's reconstruction. If the Catholic districts—Austria, the Rhineland, the provinces bordering on Poland—were cut away from Germany, a Prussian Lutheran rump state would remain. It is not surprising therefore to find no support in Vatican broadcasts for an independent Austria, nor for an aggrandised Poland. The Vatican wishes to see Germany, purged of Nazism, play a Christian rôle in post-war Europe. As in Italy, the only alternative it sees to this is anarchy followed by a dictatorship of the Left.

In the satellite countries, the Church's influence is everywhere at work in the same direction—weakening the will to resist; undermining German control; and making a bid to secure the support of the "constitutional elements" and particularly of the trade unions. Cardinal Serebi's attacks on the Nazis in Hungary have the Vatican's warm support. So have the Archbishop of Zagreb's repeated attacks in the Croat Ustasi. In Slovenia the bishops are encouraging strong manifestations of Slovene nationalism. The support given to the French and Dutch hierarchy in their resistance to the *relève* is absolute—one reason why in France the higher clergy are now almost as outspoken in their hostility as the younger clergy have been from the start.

The most interesting development of all is, perhaps, the

sharpening of the Vatican's attitude towards Spain. The Falange has been under suspicion for some time, but recently, in the middle of Sir Samuel Hoare's diplomatic *démarches*, the Vatican came out with a sudden and sharp attack on the whole idea of personal dictatorship. In this context it is also interesting to remark that Portugal barely features in the Vatican's broadcasts. It is emphatically not regarded any longer as "the model Catholic state."

The picture of Vatican policy which emerges from the broadcasts and initiatives and local action of recent months is consistent. The aim is a negotiated peace, its basis, a respect for the rights of the nations, the co-operation of victors and vanquished, an end to totalitarian rule and the setting up in Europe of constitutional government. The Vatican in a broadcast to Britain denied that Catholicism was a concern of the Right. On the contrary, it affirmed the Church's constant desire to collaborate with the Left and pointed to such examples as the work of Lacordaire in France and Bishop Ketteler in Germany. This broadcast is only a particular example of a general policy which the Vatican has been pursuing in every occupied country—backing the leaders of the organised workers, encouraging the Catholic trade unions to play a leading part in the resistance movements and, through the bishops, going out with a direct appeal for working class support on the basis of "peace and reform."

Thus, in the Catholic hierarchy and organisations of Europe, the Allies might find strong support for the restoration of constitutional government and the rule of law. However, the policy is not dictated only by a respect for the human person and legal government. It springs equally strongly from fear of Communism and a secularised dictatorship of the Left. The Vatican's distrust of Russia as a factor in the European situation has not abated, although an entirely new step was taken in Vatican policy when, this year, broadcasts in Russian were introduced.

New Deal in Bolivia

[FROM A CORRESPONDENT IN LA PAZ]

August 6th

HENRY WALLACE is no longer President of the Board of Economic Warfare, but the policy he stands for has made a gratifying achievement in Bolivia. It was recently announced that the Metals Reserve Corporation categorically refused to increase the price of Bolivian tin in favour of the big mining operators, but that it will grant an increase of 2.5 cents per lb to the exclusive benefit of the miners. This is the outcome of a hard fight between the big mining operators, such as Patiño, Hochschild and Aramayo, and Bolivian labour, which relied on the support of the New Deal circles of the US Government.

It was originally expected that an agreement on the new tin price would be reached during the recent visit of President Peñaranda to the United States. After the President's return, however, it was said that the Metals Reserve Corporation asserted that the mine-owners already realised big profits, and that a further increase in the price paid to them would not raise the output, but merely increase their profits further. The US authorities were, on the other hand, ready to grant an increase which would be used exclusively on behalf of the miners. This was not mere altruism, but a fortunate coincidence of the interests of the Allied war effort and those of Bolivian labour. The big mineowners did their best to present the issue as open intervention in the internal affairs of a sovereign state, and steadfastly opposed any agreement on these lines. They declared that an increase in the tin price on their behalf was fully justified because of the big increase in their costs of production.

About the middle of July, the Bolivian Confederation of Workers published a statement showing that the working classes of Latin America are beginning to realise that their most formidable enemy is their own reactionary oligarchy, and that, on the other hand, much good will towards them can be expected from progressive circles in the United States. The manifesto ran as follows:—

At this moment Bolivian labour has sufficient reason to believe that there was plenty of willingness on the part of the competent North American government agencies to increase the price of tin on condition that it should not be pocketed by a few big mining operators, as happened last year, but that it should benefit exclusively the miners—the producers of the mineral wealth. The strong pressure exercised by the big mining interests prevented, for the time being, such a measure from being put into effect, under the pretext

that it impairs the sovereignty of the country. . . . If, however, present conditions are not substantially improved, neither the best will nor the most strenuous efforts will be able to secure an increase in the output of strategic raw materials. Above the interests of the big mining operators, above their pre-occupation with their dividends, is the war effort of the United Nations and the health and welfare of the working classes.

When the Board of Economic Warfare was transformed into the Office of Economic Warfare, and Mr Wallace resigned its presidency, the big mining operators confidently expected to negotiate with new officials who would accept their point of view. Their hopes, however, were not fulfilled, and they had to yield. Thus, a new turn has been given to the good neighbour policy, which will, it is hoped, lead to close understanding not only between the Governments of the United States and Latin America but between their peoples as well.

Agreements With Brazil

The agreements signed with Brazil during the recent stay of President Peñaranda in Rio de Janeiro deserve attention. These agreements refer to the immediate initiation of railway traffic on the Santa Cruz-San José de Chiquitos section of the Corumba-Santa Cruz Railway, and to the immediate start of construction work on the section Vila-Santa Cruz, which will conclude the building of the transcontinental railway from Santos in Brazil to Arica in Chile. The geological reports which the Bolivian Government recently received from Standard Oil are to be jointly examined by Brazilian and Bolivian experts as a necessary preliminary to financing the drilling of new oil wells in the territory between the rivers Parapeti and Ichilo. In addition, Santos has been declared a free port for Bolivia, while an agency of the Banco do Brasil will be established in La Paz.

All this will further strengthen Brazilian influence in Bolivia, and is a new step forward in Brazil's bid to become the leading industrial, political and military power in Latin America. It is also a new blow to Argentina, which is watching with hardly concealed anxiety the expansion of Brazilian industry, and particularly the provision of the Brazilian army with modern equipment. It is reported that, impressed by Brazil's recent successes, Argentina intends to take immediate steps to accelerate the construction of the Yacuiba-Santa Cruz railway, which is intended to be a counterweight to Brazilian expansion.

This expansion, it should also be said, has created some uneasiness in Bolivian nationalist circles, who fear that the territory which lies athwart the Corumba-Santa Cruz railway will sooner or later pass under Brazilian sovereignty, thereby depriving Bolivia of its potentially rich oilfields.

Books Received

- Business Reserves for Post-War Survival.* By M. S. Massel. (Washington) National Planning Association. 132 pages. 50 cents.
- Pitt-Cobden Lecture, 1942. Social Services in Wartime and in the Post-War Period.* By W. T. Dowsett. (Hobart) University of Tasmania. 16 pages. No price stated.
- International Agreements on Conservation of Marine Resources.* By J. Tomasevich. Food Research Institute, Stanford University, Cal. 297 pages. \$3.00.
- National Conference of Social Work. Sixty-ninth Annual Conference, 1942.* (London) H. Millford. 670 pages. 33s. 6d. net.
- Civic Design and the Home.* By A. Whittick. Rebuilding Britain Series, No. 10. (London) Faber and Faber. 39 pages. 1s. 6d. net.

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.

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

THE BUSINESS WORLD

American Railroads

(From a Chicago Correspondent)

August 14th

NEWS of the fall of Mussolini as head of Italy's Government not only made newspaper headlines, but set up financial reverberations that caused the widest price reaction in the New York Stock Market of the fifteen-month period which ended on July 31st. Traders and brokers attributed the decline to "peace nerves," and, as a matter of fact, the stocks of war industry companies were among the hardest hit; but the reaction of railroad securities, marketwise, was poorest of all. Day after day, stocks like Nickel Plate, Union Pacific and Southern Railway Preferred had losses ranging to 3 points. And, day after day, the outstanding leader of them all on the retreat was Santa Fé, the big east-west carrier, which was hauling the biggest freights in its history, and earning tremendous profits at the task. Plainly, the first verdict of the market on the future of the American railroads was that, when the stimulus of wartime business ended, the rails would revert to the orphan status of the 1930s. The possibility that peace might come earlier than had been expected was leading many

individual investors, and institutions too, to dump their holdings of railroad securities as though this were a last-chance matter.

The questions being seriously asked are, can the railroads maintain their credit? Can they survive new and stiffer forms of competition, such as freight-hauling airlines? What to do about the immense deterioration of their equipment as a result of severe wartime usage and limited replacements?

On the subject of replacements, for instance, the combined freight and passenger traffic of the Atchison, Topeka and Santa Fé Railway in 1943 increased 33 per cent over 1942, while the number of locomotives assigned rose only 4 per cent. A spokesman for the Association of American Railroads has put a very gloomy face on the situation, saying that, unable to obtain steel rails, track accessories and manpower, the carriers are deferring repairs until after the war; and, as a result, revenue that would ordinarily go for such maintenance is accumulated as apparent net earnings. The railroads must be prepared to meet these deferred repairs in future years, he said.

As a further development of this picture, the railroad securities committee of the Investment Bankers' Association of America has reported that the railroads will need billions of dollars for postwar improvements and rehabilitation. Some authorities, the report said, estimate that the roads will require \$1,000 million per year for a 10-year period after the war. The committee said estimates of earning power indicated the railroads could raise only \$600 million for maintenance and improvements during the first year after the war. For the rest, they probably will have to turn to the public for capital.

The current serious-minded attitude toward the railroads does not originate from the fact that they are not making money. They have been doing so well that a good earnings report from practically any road is hardly news any more. Railroad cash drawers this spring bulged with an unprecedented total of \$2,346,270,006 of cash or easily cashable securities. This record-breaking total of cash or its equivalent was \$1,255,343,860 more than was held by the railroads one year earlier. The railroads also widened the margin of current assets over current liabilities to \$1,534,130,433, the best current position in the history of the industry.

Well aware of the present prosperity of their industry, the operating brotherhoods of the railroads have asked for a 30 per cent wage increase, thus introducing the factor of greater labour costs. Dr J. H. Parmalee, director of the bureau of railway economics of the Association of American Railroads, a private organisation, in reply to the workers' demands, said flatly that present levels of railroad traffic and earnings are temporary and will disappear when the war ends.

Dr Parmalee said:

As soon as the abnormal stimulus of the war effort is withdrawn, traffic due to war activity will rapidly decline to the vanishing point, while other traffic will be subjected to more intensive competition than ever before.

He added that it was

entirely probable that the net railway operating income for the second half of 1943 will fall far below that of the corresponding period of 1942.

Thus glumly spoke a railroad expert, who was willing to admit at the same time that war production since 1939 had brought an increase in rail traffic "more rapid and more pronounced than in any period of American railway history." One outstanding phenomenon of the wartime bull market has been the heavy speculative activity in railroad stocks and bonds. Dr Parmalee's admission pretty well explains why.

With credit impaired and business at depression levels, the railroads during the early 1930s were in the slough of despond. Investment firms discontinued their staffs of railroad analysts. The market was dead, and that was that. It was a generally accepted belief that investment customers would never again be interested in the rails. It was not as though the history of the American railroad industry had not produced a background of disappointments to justify this ultimate attitude of distaste. Enormous sums of capital financing went into the carriers during the last century, and with London the financial centre of the world, good round sums of pounds sterling poured into this country in order to build the network of steel that now covers it. A lot of this sterling was lost in bankruptcies, since not much of the early financing was very sound. In later years the roads revived on operating profits, having a real monopoly of transportation in a nation where industrial activity was expanding at a phenomenal rate. Then came the motor truck. In the ensuing battle for traffic, the rails, with their heavy debt structures, were at a great disadvantage. Rail earnings went down; bonds defaulted. Many more millions of invested funds were lost.

Railroad credit went to pieces in 1895, in 1931 and in 1938. Securities of the operating companies could not go much lower during the 1930s, but their business was later to soar, as described by Dr Parmalee, and the market for railroad issues would do likewise. Wise investors, and there are a few, foreseeing the effect of the war on railroad business, began to work into advantageous positions in 1939 or earlier. The public, as usual, was to follow unwisely and much later, guided by rumours that "rails were a buy." In a mounting frenzy they bought tons of rail paper, much of it intrinsically worthless. The market boiled until the end of March, 1943, when the United States Supreme Court cooled things off with a decision approving the Interstate Commerce Commission's methods of doing surgical things to the debt structures of the roads in reorganisation. Millions of "paper profits" in unsecured securities were wiped out in a few days. Again the public was disappointed, and there must have been some doubt created in the minds of even wiser men, as evidenced by that "peace" slump of July and August, when shares of the strongest roads in the country went down with the rest.

The rejuvenation of interest in the railroad securities market in recent years brought about the re-establishment of statistical departments in investment firms for the convenience of their customers. Because of the extremely intricate nature of railroad debt structures, this type of survey work must necessarily be studious and careful. A comparatively obscure "reorganisation" bond frequently is found to be selling at half its asset value, and the speculative possibilities of buying in on the ground floor and merely waiting for reorganisation to take place are obvious. That situation being what it is, there will be individuals interested in the railroads for some time, whatever the public attitude.

The opinions of these investment analysts on the railroad security outlook are usually worth consideration. Patrick B. McGinnis, who is analyst for the New York Stock Exchange firm of Pflugfelder, Bampton and Rust, has stated that the motor truck has not been a total disadvantage for the railroads, since it has permitted them to eliminate many miles of thoroughly unprofitable "feeder" trackage. He insists

that the loss of railroad credit did not result from the loss of business, but from

unregulated rates of trucks, primarily, which existed from the time trucks were first thought of, to and including 1939. . . . The Interstate Commerce Commission now has complete charge of rate regulation of trucks and for all other forms of competition, and I think the economic factor, the decline in rates, has been stopped and stabilised at approximately its present level.

A survey prepared by Mr McGinnis discloses that the Interstate Commerce Commission, in setting up reorganisation plans for 20 railroads, eliminated stocks with a par value of \$1,828,185,000; reduced their fixed interest debt 67 per cent, from \$3,376 million to \$1,123 million; and converted \$2,253 million of debt into income bonds and preferred and common stocks. A railroad is in no danger of receivership because of failure to pay returns on income bonds and stocks. Mr McGinnis is convinced that railroad credit actually has been re-established, but that the public does not generally realise this. He has assembled statistics showing improved expense controls and operating efficiency which suggest that in the post-war world the carriers ought to be able to hold their own even against fierce competition.

Another survey, prepared by Pierre R. Bretey of the research staff of Goodboy and Co., also a New York Stock Exchange firm, writing of the strides accomplished by the railroads in the way of operating efficiency states:

The trend since 1929 has been in the direction of sizeable economies, since freight expense per 1,000 revenue miles in 1941 was \$6.15, which figure represented a 17.3 per cent decline from the 1929 levels.

Mr Bretey submits that the industry is not likely to experience a decline in gross revenue to levels of \$4 billion (average level for all Class I railroads for the 1930s). This level compares with \$6 billion in the 1920s and \$7½ to \$8 billion during the current war effort. He estimates as a reasonable probability that gross revenues in the post-war period could exceed \$5 billion annually, from which would be left enough to cover fixed charges well in excess of 1½ times.

But Mr Bretey also makes this cautious statement:

We cannot emphasise too strongly that the railroad industry must use the war and post-war periods to reduce debt in order to ensure weathering the inevitable ultimate readjustment of railroad gross to much lower levels. Such substantial revenues as have accrued to the rails during the war and as are likely in the early post-war period, offer the industry a golden opportunity to solve their financial problems through a substantial reduction in debt. Unless the rails use present and prospective large earnings to effect a drastic reduction in debt, the industry may well again find itself in a period such as the early 1930s, when one-third of all railroad mileage (though not the most important mileage) was forced to seek the refuge of the courts. We have confidence that railroad managements have sufficient foresight and financial acumen to adhere to conservative financial policies, and accordingly we look for a continuation by the railroads of the current debt reduction programme, both for the remainder of the war and for the period immediately following the cessation of hostilities.

To which investors must say amen, and, for all who are interested, the railroads retired about \$400 million of debt last year through purchase of bonds in the open market, exclusive of any reductions through reorganisations, and the railroad securities committee of the Investment Bankers' Association of America says a substantially larger amount will be retired this year.

Business Notes

Reginald McKenna

The death of Mr McKenna removes the one outstanding figure from the ranks of our joint stock bankers. Though he had been a member of the most brilliant Ministerial team ever assembled in this country, and had served at the head of such diverse offices as the Treasury, the Admiralty and the Home Office, it is as a banker rather than as a politician that Mr McKenna will be remembered. He joined the Midland Bank, the largest of the joint stock banks, in 1917 after his split with Mr Lloyd George, and served a hard apprenticeship for the second of his two careers as chairman-elect under Sir Edward Holden. From the moment at which Mr McKenna became chairman, in 1919, he showed that he could even improve on the tradition of good banking and emphatic, aggressive individuality set by his predecessor. He refused to be sucked under by that dangerous and depersonalising quicksand, the "atmosphere

of the City." He was a rebel against authority—not because he revelled in the rôle, but because he found something in the commonly accepted dogmas of the City with which he profoundly disagreed. He was a leader in the fight against the return to the gold standard and against the price, in the form of unemployment, depression and dear money, that it was to cost. He championed the cause of an elastic and managed gold standard when such championship appeared to the City as ungentlemanly heresy—though it must not be forgotten that Mr McKenna (together with that other heretic, Mr J. M. Keynes) was one of the signatories of the Macmillan Report which in 1931 reported in favour of holding on to the gold standard at the old sterling parity. In his clashes with authority Mr McKenna sometimes allowed his impatience with what seemed to him the obtuseness of his opponents to lead him into actions which were not truly the business of a joint stock banker—



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

tions raised by the international application of the standard, and, in particular, the problem of relating local currencies to the commodity unit and of devising the mechanism that would maintain stability of exchanges at the chosen rates.

The Problem of Stabilisation

In an extended footnote to Professor Hayek's article, Lord Keynes makes some basic comments on the general problem of international price stability. In his view, the gold standard has two defects. The first is that it does not provide the appropriate quantity of money. This is, in effect, the first of Professor Hayek's criticisms. The second complaint is that it attempts to confine the natural tendency of wages to rise beyond the limits set by the volume of money, but that it can only do so by deliberately creating unemployment, a method the world has decided to discard "after a good try." This complaint may be just as valid against a new standard which aims at providing the quantity of money appropriate to stable prices as it is against the old gold standard. Any international currency scheme which aims at exchange stability must have as its main difficulty that its members may get out of step in their domestic wage and credit policies. Thinking of the tasks that will confront the Clearing Union or Stabilisation Fund, or whatever variant of these schemes may be applied after the war, Lord Keynes writes:

Some countries are likely to be more successful than others in preserving stability of internal prices and efficiency wages—and it is the off-setting of that inequality of success which will provide an international organisation with its worst headaches. A communist country is in a position to be very successful. Some people argue that a capitalist country is doomed to failure because it will be found impossible in conditions of full employment to prevent a progressive increase of wages. According to this view severe slumps and recurrent periods of unemployment have been hitherto the only effective means of holding efficiency wages within a reasonable range. Whether this is so remains to be seen. The more conscious we are of this problem, the likelier shall we be to surmount it.

If this relative stability of efficiency wages cannot be maintained from within and is not to be imposed from outside, it is evident that considerable recourse will have to be had to the agreed alteration of exchange rates for which both the British and American currency plans make some provision. But if as much reliance on these provisions were to be placed as Lord Keynes rather gloomily expects, then the application of the schemes might indeed cause headaches which promised to become chronic migraine.

Another Discount Merger

The integration of the discount market into fewer and larger units takes another step forward by the absorption of the business of Daniell, Cazenove and Company by that dynamic, nucleus firm, Cater, Brightwen and Company. Daniell Cazenove was a private partnership with capital and reserves reputed to total about £250,000, and running a book of about £7,000,000. It had valuable personal connections which should be transferred safely and intact to Cater, Brightwen, since Mr Geoffrey Daniell, the senior partner, is joining the board of that firm. Assuming that the new business adds something of the order of £7,000,000 to Cater Brightwen's figures, it should carry these to about £53,500,000, and thus put this private firm approximately on a par with Alexanders Discount Company. The facts, therefore, fully justify the listing of these firms, together with the Union Discount Company and the National Discount Company in "the big four" of the discount market. With this absorption, the number of discount market firms, other than running brokers, will have been reduced to 11, or half the total of a decade ago. The scope for further amalgamations is becoming restricted, but it is probable

The OCEAN

Accident & Guarantee Corporation, Limited
Head Office: 36-44, Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

that further infusions of fresh capital will strengthen the smaller firms in the market. There is no lack of offers of such capital from insurance companies and other parties who see in the discount market a channel for safe and comparatively remunerative investment.

Cinema Deals

Associated British Picture Corporation, Ltd., the second largest "movie empire" in this country, is reported to have added to its chain of about 500 cinemas another 44 houses from the Mayfair Circuit. This transaction does not seem to infringe the letter of the arrangements made by the President of the Board of Trade last July; these were designed primarily, to call a halt to Mr Rank's policy of extending his already strong hold on the British film industry. Mr Rank then undertook not to secure control of additional cinemas or their booking arrangements, or of production studios, without the prior consent of the Board of Trade. But the chief shareholders of Associated British merely undertook not to dispose of their shares without consulting the Board of Trade; unlike Mr Rank they were apparently not asked to promise to consult the Board of Trade before adding to their own company's cinemas. The strengthening of Associated British may be in the public interest in that it would provide more scope for healthy competition; but there seems no justification for discrimination between Mr Rank and the Associated group. If Mr Rank has to obtain the Board of Trade's consent to any new acquisitions other concerns should be asked to do likewise. The offer of Odeon Cinemas, a constituent of the Rank group, to purchase the shares of the Metropolitan Cinema Investment Corporation—which controls a number of cinemas—presumably comes within the terms of the arrangement between Mr Dalton and Mr Rank, whereby Mr Rank was given permission to conclude deals that were already far advanced.

Mr Bevin Appeals for Miners

In a broadcast last Sunday, Mr Bevin, Minister of Labour and National Service, appealed for volunteers to go into the mines. Unless special steps are taken, wastage through age, ill-health, and death would reduce the industry's labour force to 690,000 by the end of this year, that is 30,000 below the minimum required to meet essential demands. Some 30,000 recruits must be found as quickly as possible and another 20,000 next year. Since the gap cannot be filled by miners in the Services, the only solution is to tap new sources of manpower. Even if the required 30,000 recruits can be found this year, they can hardly become fully productive without a period of training. The demand for coal during the coming winter will have to be met by the existing labour force. The omens are not good, for since June the rate of output has been appreciably below last year's corresponding level; during the eight weeks ended on August 7th, production was no less than 9 per cent smaller than a year earlier. Last winter serious difficulties were avoided by economies in consumption and comparatively mild weather. Next winter additional countries will have to be supplied, while a prolonged mild spell in Great Britain can hardly be taken for granted. And, meanwhile, the miners profess themselves exasperated to breaking-point by Government policy in matters of wages and welfare.

Speculation in India

Heavy expenditure by the United Nations in India has swollen that country's money income at a time when—as was shown on page 266 in *The Economist* on August 28th—the supply of food and other civilian goods is scarce. According to the statement of the Reserve Bank of India, notes in circulation rose from 4,602 million rupees early in August, 1942, to 7,498 million last month. Speculation in commodities has long been rife, but the Government of India has only recently decided to intervene by stopping futures and options trading in some of the leading commodities. Last Saturday's Order prohibiting futures trading in castor, cotton and sesame seed—open contracts had to be settled at rates fixed by the Government—completed the measures taken against speculators in oilseeds; the terminal markets for the most important oilseeds, that is groundnuts, linseed, rapeseed and mustard seed, were closed last May. At the same time, futures and options trading was also stopped in cotton and in gold and silver

bullion. In cotton, control has since been extended to finished goods. Measures have also been taken to control supplies and prices of wheat and other grains. In certain other commodities, such as tea, shellac and jute, speculation has been evoked by the fact that the British Government, as agent for the Combined Food Board and the Combined Raw Materials Board, is purchasing the whole, or large proportions, of available surpluses. Last June, moreover, a Defence of India Rule was issued, empowering the Central Government to prohibit or restrict advances on the security of commodities or bullion. But unless effective measures are taken to restrain the rise in spendable incomes, speculation will mainly be transferred from controlled to uncontrolled commodities, and from one market to another.

Record Demand for Treasury Bills

A milestone in the history of the Treasury bill was passed on Friday of last week when the applications for the £90 million of bills then on offer exceeded £200 million for the first time. Applications had been mounting steadily of late; within the past five weeks they twice exceeded £190 million. The fluctuations in the aggregate demand for Treasury bills at the weekly tenders can only to a very small extent be attributed to applications from the discount market. The syndicate tender is known to cover the amount of bills on offer with a small margin to spare and has thus been static ever since April 23rd, when the weekly offering was raised to £90 million. The only possibility of fluctuations in the market application arises when a house chooses not to apply for its full quota, which sometimes, though rarely, occurs, or when additional capital comes into the discount market, on which occasions the quota of the firm concerned is appropriately adjusted. But the main factor in the fluctuations of the demand for bills, which have caused applications to range between £152,775,000 and £200,360,000 since the offerings were fixed at £90 million, is to be sought in the official or special demand for Treasury bills which is still satisfied through the weekly tender. The fact that a considerable part of last week's applications for bills came from official applicants is indicated by the average rate of discount of £1 os. 2.4d. per cent. It is evident from this that a substantial part of the bills must have gone to tenderers who bid £99 15s. for them, against the bid of £99 14s. 11d. made by the market. At the former figure there would be next to no profit either on reselling bills to the banks at 1 per cent or on running them with clearing bank money. Only official applicants for bills can altogether disregard the profit motive, and it may therefore be deduced that they have recently been taking an increasingly prominent part at the weekly tenders. If the trend continues, it may be expected that the issue of bills by tender will again be raised—perhaps to the round figure of £100 million a week. That course would be indicated if the authorities are consistent in their previously declared policy of providing a sufficient volume of Treasury bills to meet the essential requirements of the banking system.

Payments to Enemies

The Trading with the Enemy Department of the Board of Trade has issued a notice defining the procedure to be followed in the collection and payment of dividends and proceeds of redemption of securities owned by enemies. The intention of the new Order is to tighten up the control over these funds. It is stipulated that in future only a defined class of bank will be allowed to undertake this business. A list of the authorised institutions is appended to the Order. This also prescribes the duties of the collecting banker and, in particular, stipulates that immediate payment of such receipts must be made to the Custodian of Enemy Property when the owner of the securities is resident or carries on business in Germany, Italy, Japan, Albania, Siam, Roumania, Bulgaria, Hungary, Finland, Denmark, France and French Indo-China. The list is as important in its significance for the countries which it excludes as for those which it includes. The new Order makes no fundamental change in the practice of handling these payments, but it strictly limits and defines the channels through which such business is to be transacted in the future. The previous latitude allowed in the choice of the agencies through which such business was canalised had unquestionably permitted an appreciable amount of undesirable seepage to occur.

THE NATION'S WAR SAVINGS CAMPAIGN

The new issue of

2½%

NATIONAL WAR BONDS

1952-1954

Continuously "on tap"—No limit to holdings

A Full Trustee Security repayable at par on the 1st March, 1954, the Government reserving the right, on giving three months' notice, to redeem at par on or after the 1st March, 1952.

- Price of Issue, £100 per cent.
- Payment in full on application.
- Subscriptions of £50 or multiples of £50 will be received *until further notice*.
- Interest 2½% per annum payable half-yearly on the 1st March and 1st September.
- Interest accrues from the date of purchase.
- Income Tax is deducted at the source from Interest payments of more than £5 per annum.
- Bonds are transferable free of Stamp Duty.

Prospectuses and Application Forms obtainable from all Banks and Stockbrokers.

There are also for this Security a Post Office Issue and a Trustee Savings Bank Issue, of which full details can be obtained at any Post Office or Trustee Savings Bank respectively. Subscriptions of £10, or any higher multiple of £5 may be made. Maximum subscription £1,000. Income Tax not deducted at source.

ISSUED BY THE NATIONAL SAVINGS COMMITTEE

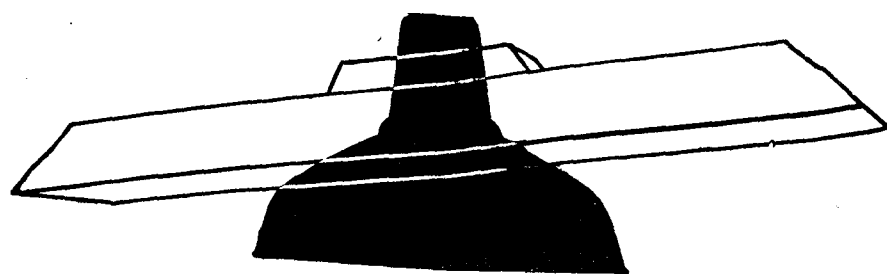
By which to see

It is so easy to regard lighting as a convenience ready for immediate needs that its importance as the means whereby our eyes function is apt to be overlooked.

Everybody depends on sight for nearly every action during their waking hours, and for sight they depend on lighting for much of the time. If the lighting is adequate and suited to the particular needs of the eye in any specific circumstances, individuals will be able to see well and, therefore, to work well. But if the lighting in a works is not right, if it is insufficient in quantity or unsuitable in the way it is applied, they will find it more difficult to see, and their work will suffer, both in quality and quantity. Benjamin are specially equipped to give you the best lighting for your

works. Many years of experience and a highly trained staff ensure the most skilled advice on lighting problems and the preparation of lighting schemes designed in every way to suit particular plants. Factories specialising in the manufacture of the finest industrial lighting equipment that can be made, and laboratories constantly engaged in lighting research, ensure the best reflectors for every situation.

Benjamin are not concerned with wiring, but we co-operate with contractors or the electrical staff of works. We make the best industrial lighting equipment and we can show you how to obtain the best lighting in your works and consequently the best working conditions for your operatives.



BENJAMIN LIGHTING

The Benjamin Electric Ltd., Brantwood Works, Tottenham, London, N.17

Telegrams: "Benjalect, Southtot, London."

Telephone: Tottenham 5252 (5 lines).

Clothing Concentration

The concentration of industrial production had been largely completed before the clothing industry was tackled. Clothing was left until the last because the structure of the industry presented special problems. The main feature is the large number of small firms in the industry, which can be seen from the following table; it shows the size distribution of firms employing more than ten people:—

Size Group Number of Factory Workers	Number of Firms as a Percentage of Total
10-25	46
26-50	23
51-100	17
101-200	8
Over 200	6

There are probably about 25,000 firms altogether, and in July, 1938, the labour force (including boots and shoes) was 625,770, 70 per cent of which was female labour. The process of concentration was begun in July last year, in Leeds; and the object was as much to save factory space as to save labour, although the average release of labour has been fixed at between 20 to 25 per cent of the labour force at June, 1942. This was divided between the different branches of the trade as follows: tailoring and children's wear, 25 per cent; underwear, 16½ per cent; overalls and infants' wear, no release; shirts, which present special difficulties, were allowed an additional 10 per cent. Nucleus certificates are granted to firms whose factories are running at full capacity, whose labour force is not less than 90 per cent of the number employed before June, 1940, and normally consists of at least 50 workers. These certificates, which carry certain guarantees of labour, are taking the place of "designation," which was devised in the autumn of 1941 to safeguard labour supplies in certain conditions. Generally, closed firms buy from nucleus firms and maintain their own sales organisations. There is no compensation scheme as in some other concentrated industries; care and maintenance can be arranged between manufacturers. Outside London, concentration has already covered most of the centres of clothing production. Firms employing fewer than ten people and the bespoke trade are not included in

the scheme. The fact that rationing was already a year old when concentration was put in hand may have been of assistance, since the total output required was a known quantity, and therefore the labour force required could be more or less accurately gauged. Nevertheless, that the fluidity and diversity of the trade, and its other special problems, have not proved insuperable obstacles to concentration is a tribute to those concerned in carrying out the scheme.

Ship Welding Committee

The adoption of electric welding in the construction of ships has proved to be a successful innovation; it is applied on a large scale in North America, but progress has been much slower in this country. Recently, however, the practice has been increasingly used in place of riveting in British shipyards; in view of its importance and scope, the Admiralty has appointed an Admiralty Ship Welding Committee

to consider and investigate special problems arising from the employment of welding in ships' structures and to advise on methods for their solution.

The Committee is a strong one for, in addition to the directors of Naval Construction, Merchant Shipbuilding and Scientific Research and Experiment of the Admiralty, it includes representatives of the Ministry of War Transport, Lloyd's Register of Shipping, the British Corporation Register of Shipping and Aircraft, the Shipbuilding Conference, and the Welding Research Council. Apart from the main committee, a small working committee has been set up under the auspices of the Welding Research Council for the purpose of carrying out investigations. The appointment of a special committee by the Admiralty may be evidence of a new decision to speed up the adoption of the process of electric welding.

A Transport Monopoly?

During the past fortnight or so, there has been an appreciation of some 25 per cent in the market valuation of the £1 ordinary shares of Coast Lines to 17s. 6d., of

**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

which almost half occurred in two days this week. The explanation advanced for this rise was a report that the company, whose title is sufficiently indicative of its activities, is to be taken over by a main line railway company. The company denies any knowledge of such intentions, but in terms which do not forbid the enquirer to suppose that some such development may be possible. This would appear to be the latest manifestation of a tendency, which has been in existence for some time, to work for a transport monopoly in this country. The railways already own the bulk of the canals. They are largely interested in internal air services and in passenger transport by road. If they obtain control of coastwise shipping—the acquisition of Coast Lines would be only a small step in that direction—it would remain only to seek an accommodation with those carrying freight by road—and much work has already been done in that direction. An effective agreement for the fixing of charges would be almost as damaging to the interests of the country as a formal monopoly and it must be prevented. Otherwise this country will run a very grave risk of being saddled with a fixed structure of facilities and charges for transport at a time when there is every reason to believe that important technical developments are possible, at least in road and air transport. Great Britain cannot afford a private transport monopoly which would involve the loss of the economies which may be expected to flow from the stimulus of competition to these and other sections of the industry.

Retail Trade Trends

The fall in the volume of goods and services during the war has been more than offset by the rise in prices, due, partly, to the increase in indirect taxes. According to the White Paper on the National Income and Expenditure (Cmd. 6438), personal expenditure on consumption rose from £4,035 million in 1938 to £4,800 million in 1942. Although these estimates include items such as rent, fuel and light and the income issued in kind to the Services, the value of retail trade, shown by the Bank of England's indices given in the accompanying table, rose after the outbreak of war. But while the rise in the value of food sales has been maintained, the turnover in other goods has shown

RETAIL SALES

(Bank of England indices: 1937=100)

Twelve Months ending June	Food and Perishables	Other Goods	All Departments
1939	105	101	103
1940	111	104	108
1941	111	107	109
1942	112	101	107
1943	114	97	106

a tendency to decline since 1942. The downward movement appears to have been accelerated this year; during the six months from February to July, the value of sales recorded by the Bank of England showed a fall of nearly 10 per cent from those of the corresponding period last year. The reduction has been most marked in the clothing, piece-goods and furnishing departments; it is largely a reflection of the increased supply of utility goods and of the effectiveness of price control. Although retailers have been able to effect substantial economies during the war, the sharp fall in the turnover of many articles other than food this year may well have brought a diminution in profits.

White Fish Distribution

The seasonal reduction in white fish landings is expected to begin early in October, and the full restrictions of the zoning scheme will then be reimposed. The summer arrangement allowed wholesalers to sell to anyone within their zone any surplus after their registered customers had been supplied, according to the conditions of the scheme. During the winter, by the full scheme, merchants must supply their authorised customers only in the proportions shown on the official customers' lists. Minor amendments to the original scheme will be made. A few large towns will draw supplies from different ports, owing to the expected changes in the proportions of landings at the main ports. Other modifications have suggested themselves as a result of last winter's experience. A reduction in the number

of suppliers serving a particular town or trader will make possible further economies in transport. The re-introduction of the full scheme has been decided upon in agreement with the Fish Industry Joint Council. Relations between the Ministry of Food and the trade are now more happy than at any time since the war. Since Lord Woolton's firm refusal to abandon the scheme last December, a "partnership" between the Ministry and the trade has grown up. On the one hand, the Ministry has consulted the trade more fully, and on the other, the trade has taken more kindly to control. This is a fortunate sequel to the former disputes.

Company Results

Burmah Oil.

	Years to December 31, 1942	1941	1940
Trading profits*	2,768,233	3,530,711	2,444,389
Total profits	3,769,498	4,867,894	5,190,676
Taxation†	2,348,903	2,752,324	3,183,503
Fees	171,922	18,226	15,243
Provident funds	131,236	95,655	101,500
Preference dividends (net)	185,625	198,750	201,876
Earnings on Ordinary	1,085,812	1,802,639	1,685,554
Paid on Ordinary (net)	1,300,677	1,137,555	1,155,440
Earnings %	12.5	19.4	18.3
Paid %	15	12½	12½
General reserve	250,000	650,000	450,000
Carry forward	236,536	251,920	335,034

Consolidated Statement:

Net fixed assets	3,060,645	3,031,367	2,940,341
Net inter-company items	2,961,190	2,735,765	3,255,898
Net liquid assets	18,139,544	19,265,785	19,939,633
Gross liquid assets	22,032,908	25,268,363	26,593,752
Cash and deposits	76,593	1,575,879	2,061,143

* After depreciation.

† Unadjusted for Dominion Income Tax relief.

‡ Including £460,000 in 1940 and £150,000 in 1941 to tax reserve, but excluding £874,175 in 1940, £680,759 in 1941 and £659,748 in 1942 tax on dividends.

The £1 ordinary stock quoted at 8½s. 3d. ex dividend yields £3 1s. 6d. per cent.

Morris Motors

	Years to December 31st, 1942	1941	1940
Gross Profit	1,951,164	2,224,087	2,521,049
Interest and fees	132,061	106,814	122,700
Total income	2,083,225	2,330,901	2,643,749
Maintenance	329,934	455,814	602,659
Depreciation	224,818	228,504	230,391
Taxation	774,282	608,380	796,336
A.R.P. expenses and fees	130,097	226,375	159,124
Rehabilitation fund	50,000	100,000	100,000
Preference div.	225,000	225,000	225,000
Earnings on Ordinary	349,094	486,828	530,239
Paid on Ordinary	463,750	463,750	463,750
Earnings %	13.2†	18.0†	20.0†
Paid %	17½†	17½†	17½†
Dividend Equalisation Res.	Dr. 100,000	25,000	50,000
Carry forward	233,794	231,872	248,361
Consolidated Statement:			
Net fixed assets	4,590,489	4,330,397	4,214,818
Net liquid assets†	7,335,064	7,742,872	8,362,351
Gross liquid assets	9,985,868	11,338,560	12,268,644
Stock, work in progress	4,003,769	2,885,653	3,481,302
Free reserves and carry forward‡	5,375,011	5,396,226	5,492,382

† Before deducting Reserve for Contingencies of £900,542 in 1940, £1,025,043 in 1941 and £1,434,787 in 1942.

‡ Including dividend equalisation reserve.

The 5s. ordinary stock quoted at 43s. 9d. yields £2 0s. 4d. per cent, free of tax.

Arthur Guinness, Son.

	Years ended June 30, 1943	1942	1941
Net total income	1,568,972	1,430,447	1,564,298
Maintenance and depreciation	273,721	223,715	258,763
Fees, expenses and bad debts	13,903	14,679	14,632
Preference dividend	64,500	60,000	60,000
Earnings on Ordinary	1,216,848	1,132,053	1,230,903
Paid on Ordinary	1,036,875	1,087,500	1,087,500
Earnings %	30.5	30.2	32.8
Paid %	26	29	29
Contingencies Reserve	200,000	100,000	100,000
Carry forward	857,527	802,080	845,483
Net fixed assets	7,945,670	7,871,923	7,808,394
Net inter-company items	398,761	409,052	488,359
Net liquid assets	5,213,096	5,221,105	5,248,730
Gross liquid assets	11,435,368	13,483,458	14,058,438
Stocks	2,169,245	1,950,477	2,463,984
The £1 ordinary stock quoted at 124s. 3d. yields £4 14s. per cent.			

COMPANY MEETINGS

ZINC CORPORATION, LIMITED

DIVIDEND MAINTAINED

The thirty-second ordinary general meeting of the Zinc Corporation, Limited, was held, on the 8th instant, in London.

The following is an extract from the statement of the chairman (Mr J. R. Govett) circulated with the report:—

After providing £211,605 for taxation, £30,523 for depreciation, and £20,000 for shaft sinking and special development, the net profit for the year was £104,590, compared with £102,085 in 1941. The fixed cumulative preference dividend of 4s. per share and an interim participating dividend of 1s. per share have been paid, and a final participating dividend of 1s. per share is now recommended, making the total distribution to per cent., the same as last year.

Last year I stated that a scheme of recapitalisation was being studied, and I have now to advise you that a scheme has been prepared by your board, which they consider to be fair and in the interests of both classes of shareholders. The scheme has yet to be approved by the necessary authorities here and in Australia, and as soon as this approval has been obtained, full details will be sent to shareholders.

EFFECT OF WAR CONDITIONS

The drain of manpower has affected our output, whilst the general restlessness due to war strain is another factor affecting production. With reduced production and with wages raised somewhat to meet the altered conditions and the increase in the

cost of living, costs have increased. As regards the present outlook, a further temporary reduction in output would appear probable. The mine has responded well to development and there is every prospect that in the days to come it will be able to meet without strain the increased output of recent years. Ore reserves have been maintained and treatment results have shown that the metal values in the yearly estimates are calculated on a conservative basis.

The output for the year was over half a million tons, and of this output over 90 per cent. came from above the No. 14 level (1,960 ft.). Development proceeded steadily on the levels below the No. 14. Advance diamond drilling from the main shafts and crosscuts on the Nos. 16 and 18 levels has indicated the satisfactory downward continuation in size and value of the ore body to a depth well below the lowest stopes now being worked.

IMPROVED MINING PRACTICE

In recent years there has been a steady improvement in mining practice, and this has led to higher efficiency. The improvements of recent years made themselves felt also in the metallurgical results, and the high standard attained makes further improvement difficult, but again some advance has been made, the recovery of lead having risen from 96.5 per cent. to 96.8 per cent., and that of silver from 92.9 per cent. to 93.7 per cent.

Generally, the outlook for the mine is excellent. So far as the realisation of our products is concerned, Governments are to-day our only customers for export. This must necessarily be the case so long as Governments control sea transport and consumption in importing markets; it is clear, however, that conditions would

NEW BROKEN HILL CONSOLIDATED

SATISFACTORY PROSPECTS

The seventh ordinary general meeting of New Broken Hill Consolidated, Limited, was held, on the 8th instant, in London.

The following is an extract from the statement of the chairman (Mr J. R. Govett) circulated with the report:—The liquid resources at the end of the period amounted to approximately £52,000, a reduction of £13,000, which latter figure represents the expenditure in the year.

The Downcast Airway was sunk 227½ feet, or approximately 36 ft. below the No. 18 level (2,600 ft.) of the Zinc Corporation. A North Drive was commenced, to connect with the No. 18 Level Drive of the Zinc Corporation, and advanced 316½ ft. The South Drive on No. 16 Level (2,280 ft.) from the boundary winze was advanced 473½ ft. to within 580 ft. of the Downcast Airway. This has since been completed.

The accumulated evidence indicates very definitely the existence of a large body of good grade ore under the Downcast Airway, that is 1,000 ft. within our property. Despite delay due to reduction in manpower, the work done to date and the developments during the year confirm our views of the importance of the property and the satisfactory prospects of your mine. The report was unanimously adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Sept. 1	5,922	3,722	104.7 133.1
" 2	6,035	3,135	104.7 133.1
" 3	5,098	3,498	104.7 133.2
" 6	6,903	4,544	104.8 133.1
" 7	5,346	4,100	104.7 133.1
" 8	5,522	4,437	104.8 133.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 105.4 (Aug. 3); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

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

	Low Jan. 6	High July 13	Aug. 18, 1943	Aug. 25, 1943	Sept. 1, 1943
37 Industrials	81.1	103.5	97.2	93.7	96.6
32 Rails	72.6	99.9	91.9	95.5	91.3
40 Utilities	67.9	89.6a	86.4	89.6	87.2
419 Stocks	78.5	100.9	95.2	85.7	94.8
Av. yield %	5.36	4.35	4.64	4.71	4.68

* 50 Common Stocks.

(a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

	1943	1943	1943	1943	1943
	Average	Transactions	Average	Transactions	Transactions
Aug. 26	116.4	435,000	Aug. 30	115.6	335,000
" 27	115.5	415,000	" 31	116.8	614,000
" 28	115.7	189,000†	Sept. 1	117.1	568,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending September 11, 1943	Nominal Capital £	Con- versions	New Money £
To Shareholders Only	225,285	176,285	68,750
Particulars of Government issues appear on page 381.			
Year	Including Conversions	Excluding Conversions	
1943	1,258,599,157	1,238,971,084	
1942		1,037,537,033	

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Debt.	Prof.	Ord.
1943	1,235,746,564	2,585,843	638,677	1,228,432,491	1,652,701	8,885,892
1942	1,057,122,571	349,272	55,190	1,050,778,521	731,318	6,017,194

* Conversions Excluded. † Includes Government issues to August 31, 1943, only.

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

INDUSTRY AND TRADE

Straw for Papermaking.—The present price arrangements for the purchase of straw for paper and board making are to be continued unchanged for a further six months until the end of February, when they will be reviewed again. The Papermakers Straw Trading Company, the central buying agency for all the mills, will buy only wheat straw in England and Wales, for which they will pay £4 per ton free on rail or delivered to the mill, plus the merchants' margin.

Special Preserves Ration.—In addition to the normal preserves ration a special ration of 1 lb. of certain imported and home-produced jams will be allowed for each of the three four-weekly periods commencing September 19, October 17 and November 14, 1943.

Bakers' Advisers.—The Minister of Food has appointed a number of advisers who are practical bakers, to give help to and advise bakers in England and Wales who are not getting the best results from national flour and who are experiencing difficulty, from time to time, in handling it.

Toilet Preparations.—The Board of Trade has made the Toilet Preparations (No. 3) Order (S.R. & O., 1943, No. 1213) which came into operation on September 1st. The principal feature of the new Order is that it replaces the quota control by a system of individual licensing of registered manufacturers.

Alarm Clocks.—Arrangements have now been made in consultation with representatives of the trade interests concerned, for the distribution of the alarm clocks which are being imported from Canada and the United States. These will be sold through normal retail trading channels only against buying permits, which will be issued to certain classes of workers. In the first instance issues will be made to railway workers and road passenger transport workers, and the trade unions concerned have undertaken to distribute the permits on behalf of the Board of Trade to those of their members who are entitled to them. It is hoped that distribution will begin immediately. The retail price will be 16s. 9d.

THE ECONOMIST'S SENSITIVE PRICE INDEX (1935=100)

	Sept. 2, 1943	Sept. 3, 1943	Sept. 4, 1943	Sept. 5, 1943	Sept. 6, 1943
Crops	120.4	120.4	120.4	120.4	120.4
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	148.2	148.2	148.2	148.2	148.2

	Mar. 31, 1937*	Aug. 31, 1939	Sept. 8, 1942	Aug. 9, 1943	Sept. 1, 1943
Crops	147.9	92.2	118.0	120.7	120.8
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	142.8	148.3	148.4

* Highest level reached during 1932-37 recovery.

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

	Daily Average Sales			Stocks (at cost) end July
	1943			
	May	June	July	

(a) By Commodities				
Non-food Merchandise:—				
Piece-goods	-3.9	-24.5	-17.2	-4.6
Women's Wear	-4.8	-27.1	-22.5	+9.7
Men's and Boys' Wear	-12.6	-31.0	-26.9	+17.3
Boots and Shoes	-12.1	-17.3	-11.9	-20.7
Furnishing Departments	-15.3	-16.3	-11.9	-11.8
Hardware	-15.0	-5.0	-3.3	-3.0
Fancy Departments	+5.1	+11.5	+4.2	+12.4
Sports and Travel	-5.4	+2.1	+1.7	+9.3
Miscellaneous	+1.6	+10.3	+3.5	+18.5
Total	-5.9	-15.5	-12.1	+0.6
Food and Perishables	-1.4	+7.0	-1.9	-11.5
Total	-3.5	-2.8	-6.0	-1.1

(b) Districts				
Scotland	-5.2	-6.5	-3.3	-3.6
North-East	-5.2	+1.3	-3.3	-1.3
North-West	-5.0	-2.6	-5.9	-2.7
Midland and S. Wales	-4.0	-3.3	-5.1	+0.8
South England	-4.3	-4.2	-6.2	-1.4
Central and West-End London	+6.9	-3.6	+0.1	+1.9
Suburban London	+2.9	+2.4	+0.6	+2.2
Unallocated	-12.9	-13.0	-5.6	...

Source: Board of Trade Journal.

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

	Mar. 31, 1937*	Aug. 30, 1939	Sept. 1, 1942	Aug. 17, 1943	Aug. 31, 1943
Cereals and Meat	93.0	66.9	106.3	110.5	109.9
Other Foods	70.4	61.1	102.6	107.5	107.5
Textiles	74.2	54.3	92.3	92.7	92.7
Minerals	113.2	95.4	131.8	135.9	135.9
Miscellaneous	87.0	77.6	120.9	126.8	126.8
Complete Index	87.2	70.3	110.6	114.5	114.3
1913=100	119.9	90.8	152.2	157.6	157.3

* Highest level reached during 1932-37 recovery.

FINANCE AND BANKING

THE MONEY MARKET.—The banks had to find £45,000,000 of Treasury Deposit Receipt money this week against which there were no maturities. In spite of this, money remained fairly comfortable and the banks found it possible to buy moderate amounts of Treasury bills from the market. The Bank return shows a drop of £15,624,000 in bankers' deposits which, however, still leaves their total at the adequate level of £140,370,000. The main counterpart to this movement is a fall

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1950-55

For the purpose of preparing the Interest Warrants due 1st November, 1943, the BALANCES will be STRUCK on the evening of the 1st October, 1943, after which date the stock will be transferred ex-dividend.

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

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st September, 1943.

PROVINCE OF ONTARIO

FOUR PER CENT. REGISTERED STOCK, 1947

For the purpose of preparing the Interest Warrants due 1st November, 1943, the BALANCES will be STRUCK on the evening of the 1st October, 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 September, 1943.

of £10,750,000 in Government securities, but the encroachment on bank cash is also attributable to an increase of £3,034,000 in Public deposits and to one of £2,040,000 in the note circulation. This last movement brings the total of notes in circulation to the new record of £980,782,000.

MONEY RATES, LONDON.—The following rates remained unchanged between Sept. 3rd and Sept. 9th.

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days 1½%, 3 months 1½%, 4 months 1½-1½%, 6 months 1½-1½%, Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, ½-1½% (Sept. 6th and 8th, 1-1½%). Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½%; at notice ½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Sept. 3rd and Sept. 9th. (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 (18.15) 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 4-02-04. Brazil, \$ 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). Turkey, Piastres 520. Italy, 71-25 lire.

Market Rates.—The following rates remained unchanged between Sept. 3rd and Sept. 9th:

Egypt, Piastres (97½) 97½. India, Rupee (184 per rupee) 17½-18½. Belgian Congo, Francs 176½. China, National \$3-3½. 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. Rate for payment into Argentine special account is 16-03 pesos (Sept. 4th, 16-04).

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.

Irish Banks' Returns.—The returns for the banks operating in Eire for the June quarter, published by the Central Bank, are as follows:—

	June Quarter, 1942	March Quarter, 1943	June Quarter, 1943		
			In Eire	Elsewhere	Total
Liabilities:					
Capital, reserves, etc.	17,629	17,651	10,442	7,234	17,676
Notes in circulation	16,353	18,173	5,267	12,651	17,919
Current, deposit and other accounts	201,755	219,927	159,232	62,168	221,700
Other liabilities	8,351	8,576	6,322	2,212	8,534
Total	244,089	264,327	181,264	84,965	266,829
Assets:					
Cash and balances with London agents and other bankers	32,449	33,775	10,223	24,193	34,416
Money at call and short notice	15,448	18,330	...	17,286	17,286
Bills	4,290	5,829	3,566	581	4,157
Loans and advances	65,412	65,831	43,259	19,871	63,130
Investments: (a) Govt.	106,178	122,232	7,647	118,974	126,621
(b) Others	9,246	9,208	4,598	5,123	9,721
Other assets	10,064	11,118	5,808	4,706	10,514
Total	244,089	264,327	75,092	190,737	265,829
Excess of assets outside Eire over liabilities outside Eire	90,238	102,544	...	...	105,171

Although the expansion of the banks' resources continues, the pace of the expansion appears to be decreasing. Deposits are practically the same as in the last quarter while substantially greater than last year. Owing to the temporary nature of many of the war-time deposits the banks maintain a position of exceptional, and rather unprofitable, liquidity. The proportion of highly liquid assets to deposits is 23 per cent. The outstanding feature of the returns is the increase in the net sterling assets, which have reached a record sum of £106,000,000. In addition to the sterling resources of the commercial banks the Central Bank holds £23,130,784 in sterling securities and gold as cover for the legal tender note issue. The total monetary circulation in Eire amounted to £31,082,638 in June, 1943, a compared with £26,315,866 in June, 1942.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from the 8th September to 21st September, both days inclusive.

By order of the Board,

R. L. HIRD, General Manager.

26 Bishopsgate, London, E.C. 2. 31st August, 1943.

Applications are invited for posts as Temporary Assistant Commissioners with the National Savings Committee. University training and knowledge of economics, public speaking and organisation of meetings desirable. Salary range, £350-£450 (men) and £280-£360 (women) plus war bonus. Applicant should not be liable under the National Service Acts or more than 55 years of age. Service in any part of England or Wales may be required. Write, stating age and full details of education experience and qualifications to QVP215OP, Ministry of Labour and National Service (Appointments Department), Sardinia Street, London, W.C.2.

GOVERNMENT RETURNS

For the week ended Sept. 4th, 1943, total ordinary revenue was £50,207,000, against ordinary expenditure of £41,120,000, and issues to sinking funds of £2,525,000. Thus, including sinking fund allocations of £6,136,266, the deficit accrued since April 1st is £1,379,069,000 against £1,300,896,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate 1943-44	April 1 to Sept. 5, 1942	April 1 to Sept. 4, 1943	Week ended Sept. 5, 1942	Week ended Sept. 4, 1943
ORDINARY REVENUE					
Income Tax	117,500	242,598	314,211	8,572	15,478
Sur-tax	80,000	10,830	10,635	220	260
Estate, etc.	100,000	41,546	42,403	1,578	1,627
Duties	17,000	5,560	6,620	130	150
Stamps	500,000	10,710	11,031	450	840
N.D.C.	1,000	250	178	...	10
Other Inld. Rev.	187,300	437,397	579,131	20,225	33,595
Total Inld. Rev.	525,320	197,210	229,431	12,361	13,453
Excise	450,180	178,700	201,690	1,805	2,057
Total Customs & Excise	975,500	375,910	431,121	14,166	15,510
Motor Duties	25,000	4,433	3,609	...	...
Canadian Govt. Contribution	...	145,827	...	4,495	...
P.O. (Net Receipts)	400	9,350	...	600	...
Wireless Licences	4,700	1,160	1,260	...	...
Crown Lands	800	440	450	...	...
Receipts from Sundry Loans	4,100	960	1,931	...	...
Miscell. Receipts	24,000	45,352	35,398	1,531	1,102
Total Ord. Rev.	2,907,500	1,020,829	1,095,291	41,016	50,207
SELF-BALANCING P.O. & Broadcast	110,632	42,000	46,650	1,400	1,800
Total	3,018,132	1,062,829	1,095,951	42,416	52,007

	Estimate 1943-44	April 1 to Sept. 5, 1942	April 1 to Sept. 4, 1943	Week ended Sept. 5, 1942	Week ended Sept. 4, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	154,443	179,539	11,385	22,515
Payments to N. Ireland	9,500	3,354	3,012	336	332
Other Cons. Fund Services	7,500	3,448	3,269	1	8
Total	392,000	161,245	185,820	11,722	22,855
Supply Services	536,675	210,593	224,004	97,831	118,265
Total Ord. Exp.	928,675	371,838	409,824	109,553	141,120
SELF-BALANCING P.O. & Broadcast	110,632	42,000	46,650	1,400	1,800
Total	1,039,307	413,838	456,474	110,953	142,920

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £62,209 to £2,720,337, the other operations for the week (no longer shown separately) raised the gross National Debt by £92,756,150 to £18,230 million.

	Estimate 1943-44	April 1 to Sept. 5, 1942	April 1 to Sept. 4, 1943	Week ended Sept. 5, 1942	Week ended Sept. 4, 1943
NET ISSUES (£ thousands)					
P.O. and Telegraph	120	...	...	...	...
Overseas Trade Guarantees	122	...	...	...	...

	Estimate 1943-44	April 1 to Sept. 5, 1942	April 1 to Sept. 4, 1943	Week ended Sept. 5, 1942	Week ended Sept. 4, 1943
NET RECEIPTS (£ thousands)					
War Damage Act	609	...	...	...	...
Title Act	134	...	...	...	...

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England Deposits	Total Floating Debt
Sept. 4, 1943	975.0	Not available	Not available	975.0
Sept. 5, 1943	1080.0	"	"	1080.0
June 12, 1935	1095.0	"	"	1095.0
" 19, 1910-0	1110.0	"	"	1110.0
" 30, 1910-0	3028.2	244.4	55.0	3227.6
July 3, 1940-0	1140.0	Not available	Not available	1140.0
" 10, 1915-0	1155.0	"	"	1155.0
" 17, 1915-0	1155.0	"	"	1155.0
" 24, 1917-0	1170.0	1899.1	309.0	2376.1
Aug. 7, 1917-0	1170.0	Not available	Not available	1170.0
" 21, 1917-0	1170.0	"	"	1170.0
" 28, 1917-0	1170.0	1892.4	313.2	2375.6
Sept. 4, 1917-0	1170.0	Not available	Not available	1170.0

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allocated	Average Rate of Allotment	Per Cent Allotted at Min. Rate
Sept. 4, 1942	75.0	166.1	75.0	19 10 62	44
Sept. 11, 1943	90.0	152.8	90.0	20 0 76	47
" 18, 1943	90.0	160.8	90.0	20 0 69	42
" 25, 1943	90.0	165.2	90.0	20 0 47	42
July 2, 1943	90.0	173.5	90.0	20 0 37	38
" 9, 1943	90.0	180.2	90.0	20 0 28	35
" 16, 1943	90.0	175.4	90.0	20 0 00	33
" 23, 1943	90.0	164.6	90.0	20 0 29	40
" 30, 1943	90.0	182.8	90.0	19 11 31	30
Aug. 6, 1943	90.0	195.6	90.0	19 11 35	30
" 13, 1943	90.0	182.5	90.0	20 0 42	38
" 20, 1943	90.0	175.1	90.0	20 0 02	28
" 27, 1943	90.0	194.0	90.0	20 2 93	29
Sept. 3, 1943	90.0	200.4	90.0	20 2 40	26

On Sept. 3rd applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 26 per cent of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on Sept. 10th. For the week ending Sept. 11th, the banks will be asked for Treasury deposits to the maximum amount of £45 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
July 27.....	4,177	1,366	4,964	10,106
Aug. 3.....	3,342	1,181	4,768	5,869
" 10.....	3,752	1,574	5,654	6,970
" 17.....	5,858	1,415	8,476	15,772
" 24.....	5,792	1,329	6,821	14,522
" 31.....	5,752	1,340	6,491	29,709
Sept. 7.....		1,300	5,334	7,412
Totals to date	911,390*	622,679*	1,344,825*†	5,266,626*

GOLD AND SILVER

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

Date	Cash	Two Months
Sept. 1	23 1/2	23 1/2
" 2	23 1/2	23 1/2
" 3	23 1/2	23 1/2
" 4	23 1/2	23 1/2
" 5	23 1/2	23 1/2
" 6	23 1/2	23 1/2
" 7	23 1/2	23 1/2
" 8	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.

NEW YORK EXCHANGE RATES

New York on	Sept. 1	Sept. 2	Sept. 3	Sept. 4	Sept. 5	Sept. 6	Sept. 7
Cables:—							
London	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
Montreal	90.560.90	375.90	310.90	250.250	23.32	23.32	23.32
Zurich	23.32	23.32	23.32	23.32	23.32	23.32	23.32
B. Aires	25.10	25.10	25.10	25.10	25.10	25.10	25.10
Rio	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10	4.10

* Official buying rate 29.78. † Free rate. ‡ Bid.

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA

Assets	Aug. 1942	July 1943	Aug. 1943	Aug. 1943	Aug. 1943
Gold coin & bullion	444	444	444	444	444
Rupee coin	292	148	153	143	139
Reserves abroad	776	920	953	870	854
Sterling securities	3,018	5,777	5,829	5,979	6,138
Ind. Govt. rup. secs.	1,024	1,115	1,083	1,034	934
Investments	66	93	77	75	77
LIABILITIES					
Notes in circ. India	4,664	7,389	7,404	7,438	7,546
Deposits: Govt.	148	300	309	312	324
Banks	663	654	654	557	560
Reserve ratio	72.5%	83.1%	83.6%	84.5%	86.0%

U.S. FEDERAL RESERVE

Million \$'s

12 U.S.F.R. BANKS	Sept. 1942	Aug. 1943	Sept. 1943	Sept. 1943
RESOURCES				
Gold certifi. on hand and due from Treasury	20,562	20,050	20,036	19,968
Total reserves	20,803	20,453	20,453	20,388
Total cash reserves	228	329	330	317
Total U.S. Govt. secs.	3,388	8,156	8,777	9,187
Total bills and sec.	3,414	8,185	8,829	9,267
Total resources	25,415	30,510	30,869	31,263
LIABILITIES				
F.R. notes in circ.	10,201	14,625	14,710	14,960
Excess int. bank res.	2,260	1,290	1,110	1,150
Mr. bank res. dep.	12,418	12,659	12,702	12,915
Govt. deposits	146	99	304	215
Total deposits	13,881	14,146	14,611	14,701
Total liabilities	25,415	30,510	30,869	31,263
Reserve ratio	86.4%	71.1%	69.8%	68.7%

BANK AND TREASURY RESOURCES	Sept. 1942	Aug. 1943	Sept. 1943	Sept. 1943
Monetary gold stock	22,756	22,291	22,292	22,243
Treasury & bank currency	3,341	4,092	4,098	4,098
LIABILITIES				
Money in circulation	13,250	18,214	18,303	18,571
Treasury cash and dep.	2,362	2,378	2,586	2,492

BANK OF CANADA

Million Can. \$'s

Assets	July 1942	July 1943	July 1943	July 1943
RESERVE: Gold	33.7	65.5	0.5	0.5
Other	842.5	1168.8	1142.0	1131.7
LIABILITIES				
Note circulation	412.7	767.4	768.0	773.1
Deposits: Dom. Govt.	23.7	121.6	59.2	62.2
Chartered banks	207.4	312.2	294.4	276.1

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

AUSTRALIAN COMMONWEALTH BANK—Million £A's

Assets	June 1942	June 1943	June 1943	June 1943
Gold and English ster.	25.95	35.14	35.14	35.14
Other coin, bullion, etc.	6.76	10.78	10.78	10.79
Call money, London	38.74	50.71	49.21	45.31
Secur. and Treas. bills	101.75	214.08	213.92	213.96
Discounts and advances	27.56	20.79	21.80	21.98
LIABILITIES				
Notes issued	100.61	138.36	138.36	138.36
Deposits, etc.	126.43	180.52	178.98	175.69

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

Assets	June 1942	June 1943	June 1943	June 1943
Gold and stg. exch.	26.70	29.59	30.26	30.24
Advances to State	33.92	42.67	42.36	44.15
Investments	4.15	10.30	10.30	10.30
LIABILITIES				
Bank notes	25.10	31.81	31.79	32.19
Demand liab.: State	15.41	15.67	17.43	17.33
Banks and others	22.08	34.70	33.10	35.35
Reserve to sight liab.	42.6%	36.0%	36.8%	35.5%

BANK OF PORTUGAL

Million escudos

Assets	June 1942	May 1943	May 1943	June 1943
Gold	1366.8	1397.5	1397.5	1397.5
Balances abroad	2083.3	3737.6	3750.9	3764.3
Discounts	275.3	221.8	223.5	228.1
Securities	354.8	399.1	399.1	399.1
LIABILITIES				
Notes in circulation	4548.1	5501.7	5501.7	5608.0
Deposits: Government	1210.6	2498.8	2537.7	2788.4
Bankers	3396.7	7459.2	7456.6	7429.3
Others	323.6	392.4	381.2	391.6
Foreign commitments	237.4	241.1	241.6	246.9

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, Aug. 1943	Price, Sept. 1943	Yield, Sept. 1943	Prices, Year 1943		Last two Dividends		Name of Security	Price, Aug. 1943	Price, Sept. 1943	Yield, Sept. 1943
High	Low	High	Low					High	Low	(a)	(b)				
83 1/2	81	83 1/2	79 1/2	British Funds			£ s. d.	51/9	46 7/8	%	%	Iron, Coal and Steel			£ s. d.
100 1/2	99 1/2	100 1/2	99 1/2	Consols 2 1/2%	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Babcock & Wilcox £1	47 1/2	47 1/2	4 12 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 4% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Bolsover Colliery Ord. £1	54/9	56 1/2	5 7 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 5% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Brown (John) Ord. 10/-	23 1/2	28 1/2	3 11 1/2
100 1/2	99 1/2	100 1/2	99 1/2	Consols 6% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Colvilles Ord. £1	23 1/2	23 1/2	6 16 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 7% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Dorman Long Ord. £1	27 1/2	27 1/2	5 19 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 8% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Guest Keen & Co. Ord. £1	34 1/2	35 1/2	5 13 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 9% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Hadfields Ord. 10/-	53 1/2	53 1/2	2 9 1/2
100 1/2	99 1/2	100 1/2	99 1/2	Consols 10% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Harland & Wolff £1	53 1/2	53 1/2	2 9 1/2
100 1/2	99 1/2	100 1/2	99 1/2	Consols 11% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Stewarts & Lloyds £1	52 1/2	52 1/2	4 14 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 12% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Swan, Hunter Ord. £1	36 1/2	36 1/2	5 11 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 13% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Thomas (Richard) Ord. 6 1/8	10 1/2	10 1/2	6 6 8
100 1/2	99 1/2	100 1/2	99 1/2	Consols 14% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	United Steel Ord. £1	24 1/2	25 1/2	6 8 8
100 1/2	99 1/2	100 1/2	99 1/2	Consols 15% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Vickers Ord. 10/-	19 1/2	19 1/2	5 2 2
100 1/2	99 1/2	100 1/2	99 1/2	Consols 16% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Textiles			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 17% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Bradford Tricelene Ord. £1	22 1/2	22 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 18% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	British Celanese Ord. 10/-	33 1/2	33 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 19% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Costs, J. & P. Ord. £1	48 1/2	48 1/2	3 12 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 20% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Courtaulds Ord. £1	55 1/2	55 1/2	2 14 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 21% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Fine Cotton Spinners £1	23 1/2	23 1/2	3 5 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 22% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Lanes, Cotton Corp. £1	36 1/2	36 1/2	4 3 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 23% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Electrical Manufacts.			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 24% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Callenders Cable, &c. £1	100 1/2	100 1/2	4 0 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 25% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	General Electric Ord. £1	47 1/2	48 1/2	4 3 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 26% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	General Electric Ord. £1	90 1/2	90 1/2	3 17 9
100 1/2	99 1/2	100 1/2	99 1/2	Consols 27% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	County of London £1	41 1/2	41 1/2	3 17 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 28% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Gas Light & Coke Ord. £1	19 1/2	19 1/2	2 11 3/4
100 1/2	99 1/2	100 1/2	99 1/2	Consols 29% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	North-East Electric £1	31 1/2	32 1/2	4 6 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 30% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Scottish Power Ord. £1	38 1/2	38 1/2	3 19 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 31% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Motor and Aircraft			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 32% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Austin 'A' Ord. 5/-	27 1/2	27 1/2	1 16 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 33% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Birmingham S.A. £1	24 1/2	24 1/2	6 1 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 34% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Bristol Aeroplane 10/-	13 1/2	13 1/2	7 6 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 35% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Fairly Aviation Ord. 10/-	16 1/2	16 1/2	4 15 9
100 1/2	99 1/2	100 1/2	99 1/2	Consols 36% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Ford Motors Ord. £1	35 1/2	35 1/2	3 8 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 37% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Flower Sidelley & Sons	17 1/2	17 1/2	3 10 1/2
100 1/2	99 1/2	100 1/2	99 1/2	Consols 38% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Lewis (Joseph) Ord. £1	77 1/2	77 1/2	3 17 9
100 1/2	99 1/2	100 1/2	99 1/2	Consols 39% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Morris Motors 5/- Ord.	43 1/2	43 1/2	1 18 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 40% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Rolls-Royce Ord. £1	108 1/2	107 1/2	3 14 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 41% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Shipping			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 42% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Cunard Ord. £1	23 1/2	23 1/2	2 2 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 43% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Furness, Withy Ord. £1	24 1/2	25 1/2	4 16 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 44% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	P. & O. Def. £1	33 1/2	34 1/2	5 4 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 45% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Royal Mail Line Ord. £1	22 1/2	22 1/2	5 4 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 46% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Union Castle Ord. £1	18 1/2	19 1/2	5 4 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 47% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Tea and Rubber			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 48% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Allied Sumatra Rbr. £1	11 1/2	11 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 49% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Anglo-Dutch of Java £1	18 1/2	17 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 50% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Jokai (Assam) Tea £1	37 1/2	36 1/2	5 9 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 51% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	London Asiatic Rbr. 2/-	22 1/2	22 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 52% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Rubber Phos. Trust £1	20 1/2	20 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 53% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	United Serdang Rbr. 2/-	2 1/2	2 1/2	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Consols 54% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Oil			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 55% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Anglo-Italian Ord. £1	108 1/2	106 1/2	3 15 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 56% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Burmah Oil Ord. £1	85 1/2	81 1/2	3 1 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 57% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Shell Transport Ord. £1	82 1/2	79 1/2	1 5 1/2
100 1/2	99 1/2	100 1/2	99 1/2	Consols 58% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Trinidad Leaseholds £1	92 1/2	93 1/2	3 4 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 59% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Miscellaneous			
100 1/2	99 1/2	100 1/2	99 1/2	Consols 60% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Assoc. P. Cement Ord. £1	63 1/2	63 1/2	2 17 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 61% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Barker (John) Ord. £1	65 1/2	66 1/2	3 0 0
100 1/2	99 1/2	100 1/2	99 1/2	Consols 62% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Boots Pure Drug Ord. 5/-	42 1/2	42 1/2	2 16 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 63% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	British Aluminium £1	49 1/2	49 1/2	4 1 3
100 1/2	99 1/2	100 1/2	99 1/2	Consols 64% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Brit. Amer. Tobacco £1	108 1/2	110 1/2	1 16 3/4
100 1/2	99 1/2	100 1/2	99 1/2	Consols 65% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	British Oxygen Ord. £1	78 1/2	78 1/2	3 18 6
100 1/2	99 1/2	100 1/2	99 1/2	Consols 66% (after 1957)	110 1/2	110 1/2	3 12 9	27/13	49/13	11 1/2	3 1/2	Cable & W. Ind. Stk.	76 1/2	76 1/2	4 1 9
100 1/2	99 1/2	100 1/2	99 1/2	Consols 67% (after 1957)	110 1/2	110 1/2	3								

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	Cochin	Madras	Kisumu	Kenya
Aden Point	(S. India)	Mombasa	Mombasa	Colony
Amritsar	Colombo	Nuwara	Nairobi	British
Bombay	Delhi	Ellya	Nakuru	E.A.
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 ... £2,200,000

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 \$1,400,000,000

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

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)

FOR SALE.—Economic Journals Nos. 154 to 193 incl.; also
 History Supplement Nos. 5-14; Memoranda of Royal Economic
 Society Nos. 17 to 179 (18 and 37 missing); Review of Economic
 Studies, Vols. 1 and 2. Also Library of Books on Economics
 (155 volumes). List supplied on application. What offers for
 whole or part?—HARRIS, 13, Castle Street, Exeter.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$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, Ltd.
 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, 5,900 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

London Office: 8, OLD JEWRY, E.C.2. A. H. LEWIS, Manager.

Also at AUSTRALIA HOUSE, STRAND, W.C.



YOUR WILL

Have you thought of the anxiety which may be caused to
 your dependants if for any reason your affairs have not
 been satisfactorily arranged?

In these days when life is so uncertain, the advisability of
 appointing a corporation rather than an individual as the
 Executor of your Will or in the capacity of Trustee needs
 little emphasis. By so doing, continuity is preserved and
 you are assured of efficient administration.

Full details can be obtained, whether you are a customer
 of Lloyds Bank Limited or not, from any Branch or
 from its Executor and Trustee Offices at

Ewhurst Place, Ewhurst (near Guildford),
 Surrey, 39 Threadneedle Street, E.C.2,
 5 Albemarle Street, W.1, Birmingham,
 Bournemouth, Bristol, Exeter, Liverpool,
 Manchester, Neath (Glamorgan) and
 Newcastle upon Tyne.

LLOYDS BANK LIMITED

Head Office: 71 Lombard Street, London, E.C.3

Company requiring investment in ships Mortgages invite
 applications from accountants. Write Box 119, THE ECONOMIST
 Brettenham House, Lancaster Place, W.C.2.

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. CXLV No. 5221

REGISTERED AS
A NEWSPAPER

SEPTEMBER 18, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

After the Armistice - - - 385

The Example of Coal - - - 387

Taxes on Business - - - 389

NOTES OF THE WEEK - - - 392

Westward Ho!; Manpower Policy; The Second
 Front; Labour's View; A National Health Service;
 Pay As You Go; Bulgarian Dilemma; Argentine
 Dilemma; Post-War Youth; Local Government
 Franchise; Campaign Against the Uthwatt Report;
 Shorter Notes.

AMERICAN SURVEY - - - 396

Reasons of State; Before Congress; Baruch Tackles
 Manpower; America and the Peace; Thunder on
 the Left.

THE WORLD OVERSEAS - - - 398

The Canadian Parties; Mussolini's Hundred Days;
 Four Years of Neutrality; Germany at War.

LETTER TO THE EDITOR - - - 401

The Place of Parliament.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

The Great Debate - - - 390

Canadian Parties - - - 398

Brewery Shares - - - 403

THE BUSINESS WORLD

BUSINESS NOTES - - - 404

A World Capital Bank; Through American Blinkers;
 Markets and the War; Transport in War and Peace;
 Montreal—The London Plan; Record Deposits;
 British Overseas Cottons, Ltd.; Mexico's Silver; The
 Harvest; Women Ex-Cotton Operatives; Plastics;
 Stock Exchange Statistics; Accountancy Technique;
 Indo-China Assets; Argentine Railway Mission; Italy
 and Quicksilver; Allied Meat Purchases; Farm Book-
 keeping; Australian Wool Clips; Correction;
 Company Results.

COMPANY MEETINGS - - - 410

RECORDS AND STATISTICS - - - 411

After the Armistice

ITALY'S surrender was greeted in this country as a
 great victory—and rightly so. The defection of
 Germany's chief European ally marked a turning-point
 in the war, and jubilation was not misplaced. Both the
 military and the political circumstances were such as to
 undermine German prestige throughout Europe. German
 armies had been driven from Sicily; the Fascist regime
 had collapsed; and the people of Italy were clamouring
 for peace and freedom. Vast breaches had opened in the
 military and political bastions of Nazism. The terms of
 the Armistice made the prospect even brighter; all Italian
 war material would be transferred to the Allies; and the
 full use of all Italian bases and territory was guaranteed
 to them for the further prosecution of the war. These
 sweeping terms were made the more impressive by the
 fact that the Badoglio Government was ready to carry
 them out, and to throw the remaining balance of Italian
 military power on to the side of the Allies.

In these circumstances, it was not unreasonable for
 people's minds to open on new and dazzling perspectives.
 They pictured the Allies, with the help of the liberated
 Italians, driving the Germans from the Italian mainland,
 starting new attacks in the denuded Balkans, and perhaps
 in Southern France, and opening their bombing offensive
 against Germany's industrial centres in the south and
 east. They pictured the rot of revolt and defeatism spread-
 ing to the other satellites, the collapse of pro-Axis puppet
 Governments, disillusion and depression in Germany and
 a corresponding increase in the vigour and effectiveness

of underground Europe. All this, coupled with the great
 Russian advance to the Dnieper, made it seem almost
 reasonable to predict a German collapse this winter.

The hopes and expectations have not yet been fulfilled.
 Only in one instance has the Italian surrender given the
 full result that was hoped from it; practically the entire
 Italian navy is now under the Allies' control and their
 naval mastery in the Mediterranean is complete. For the
 rest, both the military and the political situation are still
 in the balance. The hopeful predictions forgot the fact
 that to achieve a victory is one thing, to ensure its
 exploitation another. The estimates made a week ago
 overlooked two crucial factors: one, a minor factor, the
 war weariness of the Italians; the other, a major factor,
 the vigour and imagination of the German defence. It
 should, of course, not be forgotten that the Allies are the
 attackers, the Germans the defenders, but they have struck
 back strongly in both the military and the political spheres.
 The towns of northern Italy have been occupied; Rome
 is under German control with German troops "guarding
 the Vatican," beside anti-tank guns in St. Peter's Square;
 the Allied landing at Salerno has been counter-attacked,
 driven back and so far held; and, though its forces are
 now being built up and armoured under enemy fire, the
 Fifth Army's inability to widen its bridgehead and to
 secure airfields has placed the expedition in danger. Only
 in the south, where the right wing of the Eighth Army is
 advancing rapidly up the east coast of Italy, after securing
 the vital harbours of Taranto and Brindisi, is the military

situation going wholly in the Allies' favour. The left wing of the Eighth Army is hastening hot-foot to the First Army's aid.

The Nazis have reacted no less vigorously in the political arena. It was a bold and worth-while stroke to abduct the Duce. Too much has been written in Britain to suggest that Mussolini will be a complete liability to the Germans. True, his policy is bankrupt, his reputation exploded and his decline and fall from ruler of Italy to an Italian quisling, miserable and odious; nevertheless, he can provide a rallying point, the only rallying point, for all the desperate men whose lives depend upon the revival of fascism. When Louis XVI was attempting to escape from France, Marat said: "Woe to the people who are unable to watch and to guard the symbol and the head of the *ancien régime*." Similarly to-day, without Mussolini, the remnants of the discarded Fascist order would have been scattered and useless, both militarily and politically. Under the symbol of his name, they may still be gathered together into a fighting minority.

The fact that the Germans can now set to work to establish a quisling Fascist Government has an important bearing on the attitude of the Italian people. One of the factors emerging clearly from the last week is the war-weariness of the masses. It was wrong to suppose that the Italians would give much active support to the Allied forces. This is true of the Italian army quite as much as of the civilians. The Allies can only count on a small minority—the keener members of anti-Fascist parties, the politically conscious workers and soldiers who really see the war in an ideological and not a national light. This minority might have had a more decisive influence on the inert Italian people if the Germans had not succeeded in creating an active and ideological counter-minority. This emergence of a civil war within the international war is discussed at greater length in an article on page 399. Here it need only be said that since neither of the rival armies—Allied or Axis—can count on much Italian participation, the emergence of these minorities who will certainly operate strongly among the remnants of the Italian armed forces, cannot fail to have a political and military effect.

The quick German reaction has raised people's spirits in Germany, and it has probably depressed them greatly in occupied territory. Italy is the full-scale dress rehearsal for re-invasion anywhere. The puppets, the quislings, the satellites, the underground workers, the ordinary men and women are all looking on anxiously to see how their opposite numbers in Italy are faring. If the Germans are able to prolong their hold, wreak vengeance on all who assisted the Italian surrender, restore the Fascists and lay waste the land, the readiness of the occupied peoples to undertake the risks inherent in co-operating with an Allied re-invasion may be considerably damped. The Germans know that this is the crucial test. The first round—the Italian surrender—went to the Allies. The second—the consolidation of the surrender—has still to be decided; and the future strategy of the Allies depends

upon the swiftness with which they can bring the scales down on their own side.

It was always certain that the first landings in Europe would be bitterly and bloodily contested; and what is happening at Salerno, where the bravery and determination of the Allied troops on the open beaches have been outstanding, should disappoint and dishearten no one. All the hopes and expectations aroused by Italy's surrender can still be realised; but only if skill in the elaboration of strategy and speed in its execution are displayed to the utmost. It is success in the pursuit that determines the character of any victory, however great. It is not profitable at this point to go back over the record of the last two months, but it is perhaps permissible to ask whether greater speed and decision cannot be achieved in the months to come. The Badoglio Government appears to have asked for an armistice almost immediately after the fall of Mussolini. Was the long delay due to Italian bargaining or to the Allies' uncertainty about the terms they would impose? The fact that Badoglio at once accepted unconditional surrender suggests the latter. Too much, however, should not be read into political hesitations and delays. The British people have perhaps tended in recent months to think over-much in terms of political warfare, vital though this is. In fact, political events still wait at every turn upon military developments. Mussolini collapsed because the Allies were winning in Sicily. Badoglio accepted unconditional surrender because his armed forces were beaten. The Germans are able to launch a political Fascist counter-movement now because their measures of military occupation have, for the moment, proved successful. Similarly in the next phase of the war, the Allies' political warfare, the strategy of which must be clearly known or decided beforehand, will be successful—in Italy, among the satellites; in Germany, only if their military campaign is developing towards victory.

Here again the layman may ask, though with all possible deference, whether speed has played the part it should in the concerting of the Allied plan. There were long delays after the fall of Sicily. Were they dictated, as they may well have been, by the necessities of logistics, by stern limitations on transport? Was it necessary to leave the gathering of the Salerno expedition until all Sicily was subdued? Could not other landings have coincided with the first landing at Messina? Given the scattered nature of the German defence and the friendly attitude of the Italians, was the promptest use made of air-power and air-borne troops? The amateur cannot answer such questions, but he cannot help putting them; nor can he help comparing the variety of the German reaction with the more ponderous character of Allied strategy and wondering whether lack of equipment or of imagination contributed in any way to the difference.

Italy is only one sector of the campaign for Europe. For either side it can become a trap, drawing off a mass of men and materials out of all proportion to the military results achieved. The Allies' aim is to ensure that the Germans fall into this trap. Tunisia became such a trap, for it drew off a hundred thousand Axis soldiers from the defence of Europe. Italy will become one if the Allies draw the Germans on to their destruction, only to strike elsewhere. Large Allied armies are massed in the Middle East. Large Allied armies stand on guard in Britain. It is impossible to believe that all their resources in manœuvre and striking power have yet been exhausted in the attack on Italy; and there may be more brilliant events to come. Within the wider context of the war, the immediate phase in Italy cannot be decisive. However effective the German defence, it remains a defence only. It is the Allies who in the total picture are inexorably on the advance. But the total picture can be drawn out in time as well as in space, and speed must be the essence of the Allies' strategy if it is to include the efforts not only of Britain and America but of Russia, too. The wider view puts Salerno into a proper perspective; but it only reinforces the necessity for speed.

The Example of Coal

THE Prime Minister has been in North America for six weeks, rounding off old stratagems for the enemy's destruction and contriving new ones. For some time he has been needed at home. The people of this country will be glad and relieved to see Mr Churchill safe again; and they require decisions from him on matters no less pressing than the planning of battle—which has now passed into the hands of the Chiefs of Staff where it is not already entrusted to commanders in the field. With the authority of Parliament and backed to a unique degree by the free opinion of his country, Mr Churchill keeps in his own hands the power to loose and bind. With him in his Government are many able and industrious men who labour unremittingly at the tasks allotted to them. But they have no authority to make decisions of first importance. For these, they must look to their chief, whom they possibly see only seldom in the press of his world-wide affairs. Inevitably, policy proceeds by sudden jerks. Only when there is a knot that must be cut, a problem that must be solved, a peril that must be overcome, can the Prime Minister find the time to intervene. Such a moment has now come in several matters.

The preliminary parleys in London between representatives of Britain, the United States and Russia have not been helped by the absence of the Prime Minister's decisive voice from the discussions. If the three-power conference which each desires and the cause of victory and peace demands is to take place, the close attention and counsel of Mr Churchill are indispensable. Similarly, if the ground-work of post-war Britain is to be devised in time, the Prime Minister must make or allow to be made the crucial decisions of policy and planning without which the process of preparation has now reached a dead end. And there are questions of more immediate domestic concern, some, indeed, matters of danger, that insist upon answers which, as things are, only the Prime Minister can give. Most urgent of all at the moment, and symbolical of much that is being left undone, is the question of coal. Not only is the material equipment of wartime work and life still menaced by the insufficient output of coal, but also there are coming from the coalfields the first sounds of that bitterness between men, masters and the Government which wrecked domestic peace after the last war.

Mr Bevin's performance before the Trades Union Congress at Southport last week sufficiently showed the state of frustration in which coal policy and coal politics have become bogged. He had nothing to say. Mr Bevin is the Minister responsible for the present campaign to

bring men of all ages into the pits. Those called up for military service are being pressed to cut coal; the compulsion of boys is being considered; and the direction of youths to underground work has already aroused grave opposition in the coalfields. It is Mr Bevin who has broadcast the attractions of coal-mining as a career. Yet, faced by the TUC, with its mining members deeply sceptical about the sincerity of the Government's professions and deeply resentful about the recent wages award to pit-boys and the treatment of colliery workers under workmen's compensation, he could offer no answers to their questions. The miners were left bitter and angered.

It would be unfair to pin all the blame for the latest deadlock on either the Minister of Labour or Mr Lloyd George, the Minister of Fuel and Power. In the phrase of our Washington correspondent, applied on another page and in a different context to Mr Roosevelt's Ministers, they are men with "responsibility without authority." They are not in a position, apparently, to take the bold decisions that the situation requires, and it is their lot, painfully, to make the best of a bad job. Whether in fact either has done even this may be doubted; but there is no doubt at all that, in the present situation, only the Prime Minister can put an end to the four-year tragedy of errors in the coalfields.

The melancholy story is well enough known. Like the Turks in the proverb, the powers-that-be have been surprised and aghast each time winter has come. From the outbreak of war, pitmen were called to the colours in over-great numbers. In the hand-to-mouth days after Dunkirk, coal was forgotten, more men slipped away and, with the cutting off of European demand for British coal, collieries were closed. The industry drifted unheeded into difficulties that became suddenly evident when the rising requirements of war industry made new calls for coal. Then, less than eighteen months ago, with the red light plain, some effort was made to set matters right. The position in the summer of last year seemed at last more favourable: there was a general advance in wages and national wages machinery was set up; a bonus on output was instituted; in place of rationing, which was rejected by Parliament, a massive economy campaign was begun; and, above all, the Government announced its decision to assume "full control over the operation of the mines and to organise the industry on the basis of national service." Controllers were given full powers to restore and increase output; the Government pledged itself to see that the coal required would be cut, and the miners' leaders to do their utmost. Yet now, barely a year

CENTENARY RECORD

1. We have been able to prepare a limited number of copies of a commemorative pamphlet, which will include (a) all the special centenary articles which appeared in the issue of September 4th, dealing with the history, policy and present views of *The Economist*, and (b) the speeches made at a centenary luncheon on September 2nd by Sir Walter Layton, chairman of the gathering; the Chancellor of the Exchequer; the Governor of the Bank of England; the Home Secretary; and the Editor of *The Economist*. Copies will be available in a few days (price 2s., postage 2d.), and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Temple Bar 3316.)

2. A volume of essays entitled "*The Economist, 1843-1943*," which is mainly historical in character, has been published by the Oxford University Press, price 7s. 6d. (Orders should be placed through booksellers, and not with either the Oxford University Press or *The Economist*.)



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

later, the crisis is still at hand. Output last winter, though better than in the previous months, was less than output in 1941-42; it is still running appreciably below last year's. The labour force is still dwindling, and next spring, when 750,000 miners may be needed, there may be fewer than 700,000. On the miners' side, persistent absenteeism, especially among the younger and more able workers, has continued. Apart from the success of the economy campaign, aided as it was last winter by mild weather, last year's new coal policy has been a failure; and ominously, the reserves of good will that still existed in the industry a year ago have been dissipated.

Mr Churchill is always constrained to step in, as Mr Pethick-Lawrence points out in a letter on another page, when Parliament as a body demands it—or when there are signs of acute dissension within his own party. The immediate occasion of his intervention last year was the storm of protest, mainly Conservative, against Mr Dalton's (and Sir William Beveridge's) scheme for the rationing of fuel. Mr Churchill gave his blessing to control and economy, and the outlook seemed not unfavourable. In the event, the failure of control to yield any appreciable dividend, either in the form of more coal or in the form of better labour relations in the industry, has only very partially been concealed by the commendable success of the economy campaign. The fresh start proved to be a false start. And in the vacuum left by the absence of an effective policy either to increase the efficiency of coal production or to maintain its labour force, a campaign of recrimination has proceeded within the industry. It was begun by the mineowners, whose publicity for more than a year has been directed towards placing the onus for failure upon the men; it was their normal reflex action to the hint of nationalisation. The campaign has been answered in kind, and the coal crisis has become an issue of partisan politics, with *tu quoque* as the guiding principle on both sides. The results are not a matter for argument—too little coal, too few miners, too few man-hours worked and too small an output per man-shift. These are the reasons why Mr Churchill must intervene again. By nature, he is *deus ex machina*. Last summer he ended the deadlock over rationing; last autumn he personally exhorted the miners' leaders about their part in the war effort. His first task is not to exhort, but to ask three questions and allow no evasions. Why has the control scheme proved practically a deadlock? Why have the miners failed to do their share as they promised? What are the legitimate grievances of the workers?

Public control of the coal industry probably could not work in any event so effectively as some had hoped. The principle was so to redistribute the industry's resources of men and equipment as to obtain the maximum amount of output in the shortest possible space of time. Unfortunately, the coal industry has proved, in practice, strikingly inflexible, and the technical problems of rationalisation are greater than the theory, perfectly sound in itself, usually allows. The movement of men from bad pits to good ones is blocked, not simply by the disinclination of owners to see their individual collieries closed, but also by the reluctance of men to move their homes and by the shortage of housing accommodation. Yet, although the plan was bound to be limited in its effectiveness and to show results in the long term rather than the short, it seems quite certain that far too little vigour and resolution has been shown by both the responsible Ministers and the controlling officers. They have been too modest. They have sunk into the background. The fact that the Government assumed full control over the mines and placed the industry on a basis of national service has by now been forgotten. The miners have no consciousness of being public servants or the managers of being the community's technicians. Control, for all its limitations, has not been given a fair trial—or even a fair chance.

The miners have been given, and must take, their share of the blame. The inability of their leaders to assert their authority has permitted an undue and damaging degree of absenteeism. The Nottinghamshire strikes are another flagrant instance. But the miners have an

answer and, so far as it goes, it can hardly be denied. With ample warning and full knowledge of the consequences, the Government has permitted their number to fall steadily. The necessity for underground workers to be recognised as a special prior class in food rationing, on a par with fighting soldiers, perhaps even with American troops, has never been recognised. Wages and earnings are far from being the most important items among the miners' grievances. Food comes first, and a higher meat ration might have worked wonders with cheese-jaded pitmen. Mining is a very dangerous and very unpleasant employment, and it cannot be made attractive by exhortation. A sixth of each year's industrial accidents occur in mining. It is true that the inadequacies of the new workmen's compensation provisions are due to the basic inadequacies of workmen's compensation itself—and therefore another striking proof that decisions in these social matters cannot be put off until after the war. But mining has a special claim, above all industries. It is mainly in the lowest ranks of the workers that the issue of pay is of first importance. It is anomalous and futile to retain the voluntary principle in recruitment to the industry and, at the same time, to maintain rates of pay which offer no inducement for boys to enter or for older miners to return.

This is not to suggest that anything in the nature of a policy of appeasement is desirable. Lord Baldwin once postponed an explosion in the coalfields for some months by largesse, but the explosion happened in the end. What is needed now is, first, that all grievances which can fairly be put right should at once be met; and, secondly, that the Government's full control over the mines should be asserted to its utmost limits—or recognised as make-believe and scrapped. There are two urgent aims: more miners, and more output per man. The first requires the drafting back of all former miners (though the release of troops may be operationally impossible, and must in any case be very slow) and the enlistment of new recruits, young and old. The possibility of doing this, whether the method used is volunteering, direction or compulsion, depends on the physical (rather than the financial) inducements offered—on whether what Mr Bevin says in words can be made true in fact. The second aim requires more technical efficiency—the mineowners' claims about the technical progress made before the war, even if true, are irrelevant to the present needs for more coal—and less absenteeism. Increased efficiency demands the setting, by public order and control, of the highest possible standards of technique and management in every colliery and coalfield. The diminution of absenteeism demands the reassertion of trade union authority, the demonstration that public control is a fact and, again, the redress of grievances, so that miners may be guaranteed, not more money with which they cannot necessarily buy what they want, but a special preference in the supply of the things they need.

Mr Churchill is a great man because, among other qualities, he is tough. This is eminently a moment for toughness, for the iron hand as well as the velvet glove, whether it be miners, mine owners or Government officials that stand in the way. Once, in the darkest days of last year, the Prime Minister flew to Cairo and, finding the troops disappointed and bewildered after unexpected disasters, made a clean sweep of their commanders—the first move in the pageant of victory which began at El Alamein and went on to Sicily. The commanders he replaced were not inefficient or failures; there is no reason to suppose that they were inferior to those who took their place; but Mr Churchill saw that the requirement, first and foremost, was a fresh start, and he made it. Perhaps he must now do the same thing on the home front for coal. Certainly he must give someone power to act; and when he sets out to do in London, in another sphere, what he did last year in Cairo, he will find that the crisis in the coal industry is far from the only issue he must settle in person, if his own peculiar system of personal rule by remote control is not to creak perilously.

Taxes on Business

THE classical British income tax, now winning its third world war, is really three taxes in one—a universal proportional tax on virtually all incomes; a steeply progressive tax on larger incomes; and a tax on the profits of business. An article last week suggested that if each of these three taxes was in future to be fully adapted to its purpose it would probably be necessary to separate them. A universal income tax, to be satisfactory, must be on a "pay-as-you-go" basis, and it must be very simple in operation. It was suggested that the best way of achieving these results would be for tax to be deducted at the source at a flat rate (or at two flat rates, one for earned and the other for unearned income) from all incomes, and the personal and other allowances to be given, as a separate operation, as an offset against these deductions. This second article is concerned with the other two taxes—the progressive tax on larger incomes and the tax on business profits—now included in the income tax.

On income tax as a progressive tax on larger personal incomes there is little to be said. This is the function which the income tax, in combination with surtax, performs most satisfactorily. If the universal tax on simplified lines suggested in the preceding article were enacted and given the name of Income Tax, the task of levying on larger incomes might be handed over completely to the surtax. Some consequential changes in the surtax might then be advisable. It would become the only personal tax for which an annual review of income would be necessary. To ensure a smooth progression it might be necessary to bring the starting-point of surtax down to a much lower figure than the present £2,000, but the figure would depend on the standard rate of income tax and the size of the allowances given as an offset against it. Whatever the figure, it would certainly be high enough to secure great administrative savings. In general, personal allowances having been given against income tax, no further allowances should be given against surtax. Surtax could be left in its present form, making with the revised income tax a smooth progression from the smallest incomes to the largest. The combined rate on the highest incomes might not remain at the wartime level of 19s. 6d. in the £, but there is no economic reason why it should not remain high.

It is in the field of the taxation of business profits that the greatest change in current practice is required. Hitherto, two arguments have been dominant—first, that all business profits are ultimately imputable to individuals and should therefore be taxed like all other income; and, secondly, that the Exchequer's only concern in the matter is to protect the revenue. The second of these arguments is beginning to look very old-fashioned. It is less than three years since a Chancellor of the Exchequer first openly admitted that he had responsibilities wider than the balancing of the Treasury's ledgers, but already the new doctrine has been so generally accepted that it is hard to imagine any departure from it after the war is over. The sound management of the Exchequer accounts does, of course, pose problems of its own, both of technique and of policy; but the main importance of budgetary policy is as the chief instrument for influencing the development of the national economy as a whole. It is in the light of this new doctrine that the taxation of business profits should be regarded.

One point may be made clear at the start. Whenever profits pass out of the corporate treasury and become income in any individual's pocket, they should be treated in the same way as any other sort of unearned individual income and subjected to income tax and surtax. Income tax at the standard rate is—and doubtless would continue to be—deducted from dividends at the source. But this is a mere administrative convenience; it does not

finally determine the rate of tax that the dividends eventually bear, since surtax is levied on some and a refund is made on others. It is very important to emphasise that a plea for lower taxation on business profits is in no way a plea for leniency to the rich man. He would pay income tax and surtax on all income that reached his pocket, and the provisions against the evasion of surtax through the formation of private companies would remain in force.

The real question relates to the taxation that ought to be levied on profits that remain in the business. It will be argued that sums put to reserve are at present taxed only at the standard rate, though the owners of a company may be subject to surtax; but this is very cold comfort when the standard rate is 10s. in the £. The question is whether profits retained in the business should not be taxed at a rate below the standard rate—or at least below what the standard rate seems likely to be in the future.

It is evident that the economic system that is going to prevail in this country for as far ahead as can be seen will be a mixed system in which, however much public management may grow, very large areas of the national economy will be left in the effective control of private enterprise. Over these large areas it will remain the case that the decisions to increase or to diminish activity will be the decisions of private persons. If one of the community's major preoccupations will be to maintain a high level of activity, and if the responsibility for deciding the level of activity lies, over a wide area, with the private entrepreneur, it is the merest common sense that the state should attempt to create the conditions in which he will decide upon a high level of activity. Whether an income tax—that is, a tax which is not levied until profits have been earned—has a deterrent effect on enterprise is a question that has often been argued. It is certainly far better from this point of view than a tax that has to be reckoned as a fixed charge. But an income tax of as high as 50 per cent almost certainly exercises some deterrent effect upon the business man's willingness to take risks in expanding his business.

The chief deterrent effect may well be indirect. The classical method by which a business can expand is by "ploughing back" its profits. If there are no profits to be ploughed back, the entrepreneur has to raise capital from outside which, at best, involves waiting for a favourable moment in the capital market or persuading a professionally cautious banker and, at worst, involves saddling the enterprise with onerous fixed-interest debt. "Ploughed back" profits are equity capital, available when it is wanted; and it is only at the rarest and shortest periods that capital is forthcoming from the market on equally encouraging terms. If the solution of the Full Employment problem is to be found in an equilibrium of savings and capital investment, it is obviously in the public interest to stimulate "ploughing back." At present, every second row of profits is ploughed under before it has a chance to seed. Moreover, there is a further argument, more specifically directed to the present position of Great Britain. There is substantial evidence for the view that, even before the war, British industry was falling behind its competitors in its degree of mechanisation. The inventors of the Industrial Revolution were falling behind their pupils. This is not the place to set out the evidence; but if the general truth of the contention is accepted, then there is an even stronger case for stimulating British industry to increase its capital expenditure—which can best, and perhaps only, be done out of profits.

A policy for the reform of taxation of profits might well fall into three parts. First, any sums needed for maintaining intact the existing productive power of the business should be free of all tax. These sums, properly speaking, are not profits at all and should not be treated as such.

An article in *The Economist* of January 2, 1943, described the present position concerning depreciation, wear-and-tear and obsolescence allowances. The present state of the law is not so stringent as is sometimes alleged, though it tends to discriminate against the firm with poor financial resources, and against all firms in a period of rising prices. The system needs to be liberalised by the raising of depreciation allowances and by the widening of the definition of obsolescence. The aim should be to secure that firms pursuing a careful and progressive obsolescence policy are not penalised as a result, and that less far-sighted firms are encouraged, rather than discouraged, to keep their equipment up to date.

Secondly, at the other extreme from depreciation allowances, profits that are merely put to financial reserve, kept in cash or invested in securities, without any intended re-investment in the same business, should continue to pay income tax at the standard rate, as at present. There is no reason of economic policy why they should be treated with any particular leniency.

Thirdly, in between the two previous cases, there are the reserves that are "ploughed back" into the business. (The exact frontier between a financial reserve and an extension of business is not always very easy to draw; but an analogous distinction has already been drawn, in connection with EPT, in defining "capital employed in the business"). These profits might be taxed at a rate of, say, half the standard rate. It should be remembered that one of the purposes of this concession is to advance the interests of general economic policy. The community's desire that firms should spend their reserves on capital extensions varies from year to year; when unemployment threatens, it is great; when full employment is tending to merge into inflation, it is at a minimum. Consequently, the rate of tax on "ploughed back" profits might vary from year to year according to the state of the trade cycle. It is not, of course, the putting of these profits to reserve that interests the community so much as their later expenditure on plant and buildings or on stock in trade. It might be provided that every firm should have an "Extension of Business Account" and that all sums paid into this account should bear taxation either at the standard rate or at some high fraction, such as three-quarters, of it. Every year a lower rate of tax would be

laid down in the Budget for profits expended on the extension of business, and on all funds withdrawn from the "Extension of Business Account," and spent in such a way as to increase the capital employed in the business, a rebate of tax would be paid. Thus, if the standard rate were 10s. in the £, any sums placed to the Extension Account out of annual profits would be taxed at, say, 7s. 6d. But in a year when unemployment threatened, the "ploughing back" tax might be fixed at 3s. 6d., and a rebate of 4s. paid on all sums brought out of the Extension Account and spent on an approved purpose. This is, of course, only a sketch of the way in which such a principle might be applied so as to convert it into a weapon of trade cycle policy. The principle itself is more simple: it is that all profits genuinely "ploughed back" into the business should bear taxation at a comparatively low rate.

The objection will be made by some that joint-stock companies are owned by private individuals and that any tax concession that assists the growth of their activities enriches those individuals. Even if they cannot draw higher incomes without attracting taxation, the value of their property will be increased at the expense of the Exchequer. It is true that, so long as any of the means of production, distribution and exchange remain in private ownership, an expansion in the national wealth will bring benefits to individuals. But it would seem an extreme remedy to discourage any increase in the national wealth until such time as the socialist revolution has been consummated. It would seem more sensible to take every means to ensure the most rapid possible expansion in the productive power of the national economy and, if the resulting enrichment of individuals (it is unlikely to be an increase in their proportionate share of the national dividend) outrages the moralists, to restore the balance by an increase in death duties or even, conceivably, by an annual tax on the capital gains of individuals. So long as private enterprise plays any part in the national economy (and it is going to play the preponderant part for as far ahead as can now be seen), it is essential that its facilities for expansion should not be crippled. Both the tax-gatherer and the politician of the Left will be very short-sighted if they ignore this principle. For if industry is stagnant, the revenue will wilt and the condition of the poor will not improve.

The Great Debate

AS the end of war draws nearer, the great debate on foreign policy revives. For four years, the nations have had no foreign policy beyond survival. Now, unless peace is to be a sordid "continuation of war by other means," they must think again; and there can be no doubt that the process of thinking is being conducted more vigorously and vocally in the United States than in this country. The British would be well advised to listen in to this debate. It can clarify their own ideas, and, since the outcome involves their own security, they can and should seek to influence its course. In a sense, it can even be said that the American debate on foreign policy is the British debate, for both nations must operate in the same world of power relations and both have a great variety of similar errors and complacencies to slough off.

The starting point has been admirably defined by Mr Walter Lippmann, whose short book, "American Foreign Policy,"* has acted as a revolutionary catalyst among the shifting ideas and moods and prejudices which make up a people's attitude to foreign affairs. "A foreign policy," he writes, "consists in bringing into balance, with a comfortable surplus of power in reserve, the nation's commitments and the nation's power." He goes on to prove, with a cogency that cuts like a knife through the layers of the nation's muddled thinking, that, in the nineteenth century, American power and American commitments were balanced because of the unrealised and unformu-

* "American Foreign Policy," Hamish Hamilton, 109 pages. 6s.

lated "marriage"—to use Jefferson's metaphor—of America to "the British fleet and nation." Since the emergence of Germany and Japan early in this century, the British navy has no longer been strong enough to ensure American security, yet the Americans

clung to the illusions which had sufficed under the old order. The adherence to this old and now obsolete policy is known as "isolationism." The name is misleading. In reality our commitments had been greatly extended, whereas our power and that of Britain had relatively diminished. The correct name for the policy of keeping the commitments without enlarging our power and our alliances is not isolationism, but insolvency.

In fighting insolvency, Mr Lippmann is fighting on two fronts, against the isolationists who do not deny the question of power, but believe that American power is sufficient and needs no reinforcement from "entangling alliances"; and also against the idealists for whom the question of power is positively indecent, and must be screened from the people's view by a flood of "ambiguous platitudes"—the rule of law, the rights of small nations, collective security, all of them fine and excellent things, but meaningless apart from an ordered system of power strong enough to enforce them. Obviously it is not only in the United States that this issue of power needs to be clearly analysed. It is not many years since sections of Britain's national press were campaigning for Britain "to withdraw" into its Empire. Mr Lippmann's proposal for ending American insolvency is a firm post-war alliance

with Britain, Russia and eventually China, which he calls a "nuclear alliance," for it would be the effective power centre round which the other nations could be grouped in a pooled system of security; and acceptance of his thesis and echoes of his suggestion have appeared in spate in the public addresses of recent weeks—and they have come not from the known supporters of international collaboration, Mr Wallace, for example, or Mr Willkie, but from very much more cautious and conservative circles. When the Republican Post-War Advisory Council met on Mackinac Island, of the five Republican Governors present, three gave their views on America's post-war policy. Governor Warren, of California, said:

To keep out of another war and to prevent one, it will be necessary to have co-operation among nations. I think any co-operation that we have with other nations will have to have force behind it.

Governor Bricker, of Ohio, went further:

I would like to see the Council propose an International Organisation not only to combat aggression but to anticipate trouble and prevent it. It is difficult to say now whether we should have a formal treaty with Great Britain.

Governor Dewey, of New York, went as far as he could go:

It is very likely, and it will be in our interest, to have a military alliance with Great Britain after the war. I would favour eventually broadening the base of the alliance to take in Russia and China.

It is true that the Council finally produced the customary "ambiguous platitude." It recommended only that America should participate

in post-war co-operative organisation among sovereign nations to prevent military aggression and to attain permanent peace with organised justice in a free world. and added the escape clause

If there should be a conflict between the two [international co-operation and national interests], then the USA should adhere to the policy which will preserve its constitutionalism. . . .

But the Governors had already spoken bluntly and Mr Dewey's proposal of an alliance was headline news. In the same week, Mr Churchill produced his contribution to the debate, the proposed continuation of a Joint Anglo-American General Staff after the war. And as spokesman at once of the State Department and of cautious Democratic conservatism, Mr Cordell Hull has now combined a restatement of a number of those general principles—respect for national sovereignty; freedom from internal interference; willingness to settle international disputes by peaceful means; non-discrimination in economic opportunity—which have been used so freely in the past to cover the bankruptcy of American policy, with a firm statement of the power factor which alone would give the principles a chance of realisation:

It is abundantly clear that a system of organised international co-operation for the maintenance of peace must be based upon the willingness of the co-operating nations to use force, if necessary, to keep the peace. There must be certainty that adequate and appropriate means are available and will be used for this purpose.

These statements by American leaders have, of course, to be seen against the background of next year's electoral campaign. In any electioneering, there is bound to be an element of pledge giving, designed to raise the bids and cap the offers of the other side. The direction of the bidding—towards stronger American commitments—throws a hopeful light on the trend of popular thinking in America; it does not necessarily throw any light at all on the final redemption of even the most moderate pledge.

Mr Dewey has thrown into the debate the concrete suggestion of an Anglo-American alliance; large, intolerant and vocal groups in America would not follow him so far. But Mr Lippmann goes further, to the "nuclear alliance" of the four Great Powers; and still larger groups would abandon the policy at this point.

Yet any understanding of the relation between force and security must, to be effective, embody itself in an alliance system, and it would be useless to accept Mr Lippmann's definition of insolvency and refuse the only means available to put an end to it. It would even be very dangerous to accept half his thesis—the necessity for Anglo-American collaboration—and leave relations with Russia to care for themselves. If the war ends with the world divided into two power systems, an Anglo-American and a Russian, a further conflict is almost certain. This is not because either system is essentially predatory, or because they are essentially antipathetic. Rarely in men's history has overwhelming power come to be controlled by nations so nearly satisfied. It is fear, not greed, that would be the instigator of war. On the periphery of their power systems—in Europe, in Asia, in the Far East—the two groups would jockey for position, aligning the smaller nations in rival camps, watching for every provocation. Security from future wars can come only through the lasting association of all the great victorious Allies.

Will American opinion go all the way with Mr Lippmann here? He himself has given part of the answer:

The objective test of whether there is to be peace or war will be whether the borderland between Russia and the Atlantic states is settled by consent or by pressure, dictation, and diplomatic violence. . . . If in this region the effort to settle territorial boundaries and to decide what governments shall be recognised discloses deep and insoluble conflicts between Russia's conception of her vital interests and that of the Western Allies, then every nation will know that it must get ready and must choose sides in the eventual but unavoidable next war.

This is plain speaking. It is also true. However compelling the necessities of power may be, they do not override either in America or Britain certain fundamental principles of international relations—the principles of national freedom and sovereign right outlined by Mr Hull.

At this point, the great debate enters its most difficult and dubious phase. Behind the clarity of Mr Lippmann's analysis, behind the growing acceptance of the need of balancing power and commitments, behind the whole movement away from isolationism and irresponsible idealism, lies the fact that the relations between states are much more than mere power relations. International society is not just an interrelated system of power centres; and, while force is indispensably needed to uphold the structure of international society, power is in itself no clue to the kind of structure within which the nations can find a tolerable way of life. Mr Lippmann's book is not concerned with this wider problem, but he closes his analysis with the reminder that:

The experience of history supports the conclusion that power can endure only if it gives and maintains laws within which men enjoy the liberties they regard as more important than life.

To establish the nuclear alliance is the necessary beginning and condition of peace; but it is by a sound instinct that much of the debate in this war has turned on social and economic collaboration. If the great nations use their power not only to create a bare framework of security, but also to increase the economic and social content of international life, to "mix up" the nations at every level of life, not simply at the political or juridical level, their control will not seem too onerous. If not, they would be unable to maintain even their own alliance in a squabbling, disrupted and impoverished world.

National sovereignty is not enough; nor is power or the nuclear alliance. Economic and social collaboration, in turn, are insufficient without the framework of security. The field of foreign policy is unified and interdependent. and there is always danger that in solving one side of the equation, the nations will neglect all the x's on the other side. However, the ground is being covered: last year it was the economic idealism of Mr Wallace and Mr Milo Perkins; last winter Mr Willkie's vision of world interdependence; and now the shrewd political realism of Mr Lippmann. All these approaches are complementary; and the debate continues.

NOTES OF THE WEEK

Westward Ho!

The Russian advance continues. In the course of the week the Soviet armies have scored big victories on three sectors. In the south they have advanced about sixty miles to the west of Stalino, and are now more than half way between the capital of the Donetz basin and Zaporozhe on the Dnieper. The speed of the advance here has been largely due to the favourable terrain. The pursuing forces have left the densely populated area of the Donetz far behind; and the fighting has moved out to the open steppe. It may be only a matter of days before the Russians reach the Dnieper bend; evidence so far available suggests that the so-called Dnieper defence line does not stretch to the east of the Dnieper here, and that no deep or solid fortifications have been prepared by the Germans far in front of the bend itself. Russian reports mention only light and hastily prepared strong points in the way of the pursuers. The lie of the land suggests that the much-discussed defence zone may start close to the river, and that its pivot is the hilly right bank, which is ideally suited for artillery positions, machine-gun nests and mortar posts. Behind the Dnieper, it is said, the Todt organisation has built up strong defences in depth, covering the whole territory inside the river bend, hingeing on Kiev and extending into White Russia. The testing of this belt in battle will not come before the winter. The Russian summer offensive has already almost reached its objective in the south. This is also so farther to the north, where the Russians have now captured Nyezhin, half way between Konotop and Kiev. The capture of Bryansk has given the Russians possession of another key centre of communications.

It is not, of course, the putting of these prongs to reserve

A German explanation is that the aim of the withdrawal has been to shorten the line. Similar German explanations in the past were not devoid of substance. The withdrawal from the Caucasus early this year allowed the German Command to reconstitute their operational reserves behind a shortened front. Now, however, the new "shortened" front is broken by salients and wedges which impose a great strain on German manpower and firepower. The straightening of the front to the west of the Donbass is set off by the new enormous westward salient from Bryansk to Lozovaya. Another German explanation, that the retreat is an attempt to lure the Russians into a precipitate advance, has no more substance. Almost everywhere the advance has been on a broad front, and every mile of the advance tends to strengthen the Russian transport position. (The only exception perhaps is the sharply pointed Russian wedge from Konotop towards Kiev, where a German counter-stroke might temporarily regain some lost ground.) In fact, the German retreat reflects a distinct crisis in manpower. Though it seems true that the fighting in the Mediterranean has not yet forced the German High Command to draw on their reserves on the Russian front, it must have prevented them from increasing and strengthening those reserves. The Russian doubt whether Hitler has yet been compelled to divert any divisions from the eastern front is an incomplete assessment of the position so long as it does not include in the reckoning the potential and indirect diversion caused not only by the campaigns in the Mediterranean, but also by the Germans' anticipation of further invasions.

Manpower Policy

Parliament's coming inquest on manpower policy will be as close and critical as its discussion of the Italian war. It was announced last weekend that, in view of the urgent need for men in the armed Forces, the Government has decided that deferments granted for men in certain occupations, who were born in or after 1915, 1910 and 1905, must be brought to an end. This prosaic announcement, the latest of a multitude of similar instructions since the old-style schedule of reserved occupations was first instituted and then transformed, came as a bombshell to many. To

some, it seems a hint of some sudden and dramatic change in manpower policy—perhaps following on the decisions of the Quebec Conference. In recent weeks, the relation between recruitment and strategic needs appeared to have been made more clear-cut than before. The Army, it was gathered from official statements, had reached practically full strength; and, industrially, the process of its equipment (the colossal task that was restarted after Dunkirk) was completed, leaving only a demand upon industry for maintenance, replacement, and the supersession of certain specialised weapons by new ones. Men called up were to go in to the Navy, the Air Force, or industry, especially coal-mining; and the structure of war production, it was learnt, was being radically transformed by the transfer of workers and plant from work for the Ministry of Supply to work for the Ministry of Aircraft Production. The main tasks left, it seemed, were to fill the Navy, and to build up the bombing strength of the RAF to a mountainous and decisive level. The registration of women over 46 years of age was part of this air policy; the aim was to release more labour for aircraft factories. The newly announced registration of all women who have experience of work in the cotton industry leads in the same direction, since it is to manufacture aircraft components which contain cotton that these women, or those they replace within the cotton industry, are primarily needed. Then, abruptly, there came this new call-up of deferred men in munitions and other essential industries.

The precise import of this step is not known. It may simply be to speed up the filling of gaps in the Navy or the RAF. It may, since many of these men must, by virtue of their deferment at a comparatively early age, be skilled technicians, be to satisfy the outstanding need of all the Forces for craftsmen. But it cannot be to supply the war industries from which the men are being taken away, or to bring up the labour force of coal-mining. Almost certainly, it is a sign that the earlier view of manpower policy, suggested by all official statements, is no longer valid. The movement from industry into the Forces is reviving, because of the need which the biggest, and probably the most costly, battles of the war, in Europe and the Far East, will bring for reinforcements; and it can be set going again because so much of the industrial process of equipping the troops has already been accomplished. It is perhaps not easy for the layman, when so small a proportion of the great armies of Britain and the United States has yet been brought into action, to see where the need for more men, who have still to be trained, will arise; the operational strength of the Canadian army is to be reduced by 20,000; and manpower policy in the United States (which is discussed in a Note on page 397) has not yet reached the point of universal national service. But the bitter struggle on the beaches by Salerno gives an indication of what the character of the next phase of the war may be—and underlines the fact, forgotten perhaps in the exaltation of built-up strength and the first victories, that the phrase so common in politicians' perorations to the effect that "the hardest part of the war is still to come" is true as well as a truism.

The Second Front

"This is the news, and this is Sir Walter Citrine reading it." The announcement to the Trades Union Congress on Thursday of last week of the further Allied landings on the mainland of Europe, after the publication of Italy's surrender, was made by Sir Walter Citrine; and the fact that, not knowing himself whether the Second Front in France was or was not actually starting, he coupled the announcement with the news of "large-scale amphibious operations off Boulogne," provided the only untoward incident in the TUC's discussion of foreign policy. Both the *Daily Worker* and certain Soviet Press sources have since chosen, with conscious malice, to charge Sir Walter, in effect, with making a deliberately false statement to influence the decision of the conference on the demand, backed by the Russian delegates present, that the

trade union movement should press the Government to open an immediate Second Front. Both the charge and its implications—namely, that the conference refused to press the Government because it was briefly under the impression that invasion in the West had begun—were quite unfounded. It is perhaps surprising that Sir Walter Citrine, almost alone among those who knew of the amphibious operations, did not also know that they were merely an exercise, for security precautions about these manoeuvres were notably poor. But there is no doubt at all that the great majority of those present at the TUC meeting knew its own mind on this subject, regardless of rumour, and was prepared to accept without reservation the answer that Sir Walter Citrine gave to the Russians when he was in the Soviet Union—that is, that the British contribution to the war had been much bigger than the Russians gave credit for; and that it would be presumptuous and wrong for misinformed lay opinion to dictate the details of military strategy, especially when the lives of their comrades-in-arms might be put in jeopardy thereby.

Labour's View

The outstanding feature of the attitude of the Trades Union Congress last week to foreign policy, illustrated by its refusal to be hustled by the deep emotions of sincere sympathy aroused by its Russian comrades into doing more than ask for

an additional front of battle by further invasion of the European Continent . . . at every point where Allied forces can strike with good prospects of success

was its sobriety and realism. Oddly enough, too, it was much more settled and clear-sighted than that of the recent Labour Party conference. This was shown by the voting on what is called, perhaps loosely and imprecisely, Vansittartism. The Labour Party, faced with the choice between condemning all Germans or only the Nazis and war criminals, disputed heatedly, and finally adopted a strange resolution covering both points of view. The TUC, on the other hand, was in little or no doubt; it voted against Vansittartism and condemned only the Nazis; and it did not follow Mr Bevin quite all the way in his analysis of the plans of the German people to save enough from the Second World War to win the Third. Right or wrong, there is a balance about this view which does not compare badly, to say the least, with the hysterical note that is creeping into the denunciation by some newspapers of every conceivable act of "softness" towards men, women or children on the enemy side.

A National Health Service

The forthcoming annual representative meeting of the British Medical Association will be recommended to reaffirm the basic principles laid down in the BMA's report on a General Medical Service for the Nation, which was approved in 1938. These basic principles are: that the service should be directed to the achievement of positive health and the prevention of disease, as well as to the relief of sickness; that every individual should have available a general practitioner or family doctor of his own choice; and that consultants and specialists, and all necessary auxiliary services, together with institutional treatment, should be available to each individual. Speaking in Cardiff this week, the Minister of Health laid down the principles which the Government is determined to maintain in its proposals for a national health service. They are: the removal of limitations on the present service, so that consultant and specialist treatment, hospital and convalescent treatment, and so on, are available to all; that prevention as well as cure should be in the forefront; that the free choice of doctor and the personal relationship between doctor and patient should be preserved; that the doctor should be allowed clinical freedom in his treatment of a patient; and that the service should be based on the family, and that a family doctor for all should be provided. There is thus a striking similarity in principle between the Government and the medical profession. Where differences arise is in the means of achieving these principles. It is worth noting that both parties are at present keeping silent about ways and means. At the BMA meeting they will presumably come up; but the fact that the representatives will be asked to go back to the principles of 1938, and not to the means suggested in the Planning Com-

mission's report of 1942, suggests that the BMA is biding its time. Mr Ernest Brown, too, asks people to await the White Paper for the Government's view on ways and means of making the health services comprehensive. It is not likely that, when it appears, it will meet with the same general approval as the White Paper on Educational Reconstruction. But, with such a general agreement on principle, it would be a great pity if a scheme could not be hammered out which would be workable and acceptable to all.

Pay As You Go

An article on the reform of the income-tax in *The Economist* last week attempted to re-state the disadvantages of the present method of assessing and collecting income-tax, and it suggested how they might be overcome by levying income-tax at a flat rate—which would involve the payment of allowances in cash—and by introducing a "pay-as-you-earn" method of collection. "Pay-as-you-earn" methods of collection have recently been introduced both in Canada and in the United States. Colonel C. W. G. Gibson, Canadian Minister of National Revenue, described the success and popularity of "pay-as-you-go" in Canada at a Press Conference last Saturday. He admitted that certain difficulties had still to be overcome so far as deductions from overtime pay are concerned. But such complications as are involved in the change-over are small in comparison with the advantages of the scheme. The Chancellor of the Exchequer has already expressed himself in favour of the principle of "pay-as-you-go," but the Treasury view has tended hitherto to make Sir Kingsley Wood hypersensitive to the practical difficulties in the way of its application. Now, it seems, some at least of these difficulties have at last been solved by the Treasury pundits, for the Chancellor is expected to announce the introduction of some limited form of "pay-as-you-go" when Parliament reassembles. There is considerable apprehension lest the Treasury scheme turns out to be only a makeshift instalment of the radical rationalisation of the direct tax system that is required—to prevent a collapse when incomes fall after the war, to meet wage-earners' grievances now,

NEWS of WHITE HORSE

*This famous blend of Whisky was
never better than to-day*

It would be easier to buy White Horse Whisky as and when you like to-day if there were not so many people trying to do the same thing. Like so many of the comforts of peace-time, White Horse is scarcer because of the war.

It takes long years to bring this famous whisky to ripeness and maturity. It took forethought and a provident care to provide the present regulated supply. And the same care and forethought are your assurance that to-day and in the years to come the quality of White Horse will be guarded as jealously as ever.

More White Horse could not be released without broaching stocks still growing old and ripe for your future pleasure. And for no consideration will the good name of this great and famous blend be put in jeopardy.

and to make income-tax, in a new form, as flexible an instrument of public policy as, in greatly changing conditions, it was a hundred, thirty or four years ago. (Its future functions are discussed in an article on page 389.) At least, the proposed change, to be effective, should apply to all incomes, without any lack-logic about "forgiveness" of the mythical loss in tax on last year's earnings, when all that is involved is simply a change in the basis of this year's assessment; and it should be a permanent change.

Bulgarian Dilemma

The new Regency Council in Sofia has appointed Dobri Bozhilov as Prime Minister in place of Filov, who has become a member of the Regency. The most significant feature of the new Cabinet is the absence of the former Minister of the Interior, Gabrovski, the most consistent and outspoken adherent of the pro-German policy. The new Minister of the Interior, Docho Christov, has been described as a moderate, with pro-Allied leanings. The new Cabinet was probably settled under the influence of Italy's capitulation. It is doubtful whether the Regency is prepared to make any definite break with Germany—at this stage. Events in Italy will be very carefully watched in Sofia, and the advantages and disadvantages of defection from Germany will be considered in the light of their development. For the time being, the Bulgarians may think the disadvantages still tip the scale. Germany is pouring in fresh forces into Bulgaria, ready to defend the Third Reich on the soil and at the expense of its Bulgarian ally. The threat is held out with a sop; Albania is reported to have been offered by the Germans to Bulgaria, as well as new slices of Macedonia and northern Greece. There is clearly much more reality in the threat than in the sop. Another issue which will not add to pro-German feeling in Bulgaria is the position of the House of Savoy, to which the Bulgarian Queen-Mother belongs. Hitler has now made the destruction of the House of Savoy his avowed purpose. An anti-dynastic coup in Sofia, staged by the Germans, may even be imminent, for the dismissal of Gabrovski will not be easily swallowed in Berlin.

Argentine Dilemma

The foreign policy of Argentina is reaching a deadlock, for the simple reason that its two strongest trends are in direct contradiction to each other. On the one hand, there is a strong isolationism, directed against the United States and against the predominance of any other Power on the South American continent. It finds expression in extreme forms of nationalist pride and in an exaggerated fear of being treated like a second-class state. This attitude has given Argentine foreign policy certain affinities with the international outlook of the Axis Powers. But the fact that the country has not in the past broken off relations with the Axis owes much more to the fear of American encroachments than to support for the Fascist Powers. The other dominant trend is directly contrary. True, it is not less nationalist, but it conceives its nationalism more intelligently. The moderates realise that, if Argentina is to maintain a leading position in South America, it cannot do so in isolation, especially now that American money and American supplies are helping to build up the military and economic power of Argentina's neighbours. Alone among the American states, Argentina was not present at the Food Conference at Hot Springs. Nor will the country be represented at this month's Washington Conference of all the other Latin American states to discuss post-war collaboration and reconstruction in the sphere of trade and finance. The Argentine Government has even had to sit by and hear President Vargas propose that Brazil should represent all South American interests at the Peace Conference. The two trends in policy are represented by two different groupings within the Ramirez Cabinet. On the one hand are the extremists: Dr Guinazu, who conducted Argentina's pro-Axis foreign policy before the coup d'état, is still represented in the Government in the person of his son, the head of the Information Service; the Chief of the General Staff, General von der Becke, is an extreme nationalist; so is the Mayor of Buenos Aires, General Pertine—he also has strong German sympathies. This group are behind all the authoritarian measures taken in recent weeks, and they have fought consistently the moderate trend in foreign policy for which Admiral Storni had been trying to secure acceptance. It was he, for

example, who sent a delegate to the Inter-American Committee for the Political Defence of the Continent, which sits at Montevideo, and it was he who caused the wireless messages to and from the Axis embassies in Buenos Aires to be prohibited. As a moderate, Admiral Storni had the support of President Ramirez and the Finance Minister, Señor Santamarina; but, unhappily, Mr Cordell Hull's terse refusal of Admiral Storni's request for Lend-Lease aid has led to his resignation and to the weakening of the moderate group. The country as a whole is for the breaking off of relations with the Axis, but by its authoritarian measures at home the Ramirez Government is losing touch with public opinion; and it is hard to see how the issue of foreign policy can be cleared up without a fresh political explosion at home.

Post-War Youth

One of the most sensible statements ever made on the so-called youth problem can be found in the report issued by the Board of Education on the youth service after the war (6d. net). The report has been prepared by the Youth Advisory Council appointed by the President of the Board of Education last year. For once, youth is not looked upon as a strange phenomenon which must be treated almost as a disease. The Council, in fact, comes very near to saying that there is no such thing as youth.

Growth is a continuous process, and while it may sometimes be necessary for a special purpose to focus attention on a particular stage of growth, it is misleading and dangerous to split up into artificial divisions what is really an organic whole. Only by thinking of a boy or girl as a whole person, with a past and a future as well as an adolescent present, have we been able to see our subject in proper perspective.

Consequently, the report deals with the youth question against a background of homes, schools and work-places. Build decent homes, provide education, full-time and part-time, until the age of 18, and supervise the type and condition of employment—these are its main recommendations for helping young people to

grow up to be individuals physically, mentally and spiritually capable of playing their full part as adult members of the kind of society we wish to see. . . .

Further, there is a wholesome recognition that young people are not all alike. There are in fact wider differences of temperament and interest in young people between the ages of 14 and 18 than in younger children or in older men and women.

Thus, in the youth service, which, even if the basic recommendations of better housing, education and employment are carried out, will still be necessary, different tastes and interests must be catered for. The cinema is not frowned upon, provided it is not visited to excess; nor is dancing. The whole emphasis of the report is on the desirability of giving young people, through the youth service, the opportunity of spending their leisure as they want, provided their wants are not harmful or pernicious. There is no question of treating the 14-18 age group as a homogeneous body or as an everlasting pimple on the body of the state.

We do not want to see young people segregated . . . from the community as a whole.

Nor should there, in the Council's view, be any question of compelling young people to join youth organisations. Work is work and leisure is leisure, and the whole definition of the latter is that in it a man—or boy—is pursuing his own, freely chosen, occupations.

Local Government Franchise

The report of the Vivian Committee on Electoral Machinery contained the implied recommendation that the local government franchise should be assimilated to the Parliamentary franchise. This is now under consideration by the local authority organisations, and it is reported that the Labour party is in favour of it, though the Conservatives have not yet expressed an official party opinion. Administratively, the establishment of a single register for central and local government elections would be a great improvement. Psychologically, it might do much to raise the status of local government elections in the eyes of the public. At present, whereas the qualification for a vote at Parliamentary elections is, with a few exceptions, the age of 21, to exercise the local government franchise a person must, generally speaking, be a ratepayer or the husband, or

wife, of one. This excludes all other members of the ratepayer's household, whatever their age or qualifications to vote, and means that about 25 per cent of the persons who vote for Members of Parliament are excluded from voting for members of their local council. It also means that members of local authorities are far more dependent than they should be on the goodwill of ratepayers whose natural interest it is to try to keep the rates as low as possible. Reforms have, as a result, frequently to be dropped because the ratepayers will not stand them. Now that scheme after scheme of reconstruction is being loaded on to the shoulders of the local authorities, it is essential that they should not be held back by consideration for their ratepayers' goodwill. It would, of course, be undesirable for the local government franchise to be flooded by voters who have no financial stake in local government policy—no representation without taxation should be generally accepted to ensure a feeling of responsibility on the part of the electorate. But until local authority finance can be severed from its present basis, which links each item of policy and reform so closely with a penny or more on the rates, there is a great deal to be said for introducing a less vitally interested body of people into the local government franchise.

Campaign Against the Uthwatt Report

The Uthwatt Report on Compensation and Betterment (Cmd. 6386) was published a year ago. Its recommendations provided a basis for legislation designed to remove the obstacles in the way of the orderly development and re-development of land. Distinguishing between non-built-up and built-up areas, the Committee suggested that the state should purchase the development rights on the former and introduce a levy on the increment in the value of the latter due to development. In other words, the scheme was designed to secure some of the benefits of nationalisation without the large-scale and complicated process of the outright state purchase of all the land. Opposition to the introduction of the scheme has been growing steadily. Last April, for example, it was described at the annual meeting of the Land Union as destructive of the rights of property and of freedom of enterprise. Encouraged by the indecision of the Government, Mr David W. Smith, general manager of the Halifax Building Society, advocated the *coup de grâce* by a final and concerted onslaught. In an address to the Halifax and District Property Owners' Association on Thursday of last week he is reported to have said

I have no hesitation in stating that, in my opinion, the first essential to the successful solution of post-war housing is dependent almost entirely on the rejection of the development rights recommendation contained in the Uthwatt report. For these reasons I advocate that the building societies should lose no time in linking up with every interest that feels itself threatened by the Uthwatt report and oppose tooth and nail this concealed measure of nationalisation.

The growing campaign against the Uthwatt Report, and the hesitancy of the Government, suggests that the Uthwatt scheme, which was called for and drafted as "a matter of urgency," has now little chance of being adopted. Inevitably, the discussions must turn back to the more radical and more thorough alternative which the Uthwatt Committee set aside—nationalisation or, more precisely, the progressive vesting in the community of property rights in land, as and when the need for the effective planning of land-use requires it.

Shorter Notes

The election of General Chiang Kai-shek to the Presidency of China will make no difference to the political structure of the Chinese state. It merely symbolises what has long been a fact, that the single control of China lies with the National Party, the Kuomintang, through its leader, the Generalissimo. Behind this façade of unity, there are of course very divergent forces at work. A certain number of Chinese, particularly among the merchant classes, have long been war weary. Among the Chinese thoroughly loyal to the continuance of the war, there are strong divergences about the structure and future of the Chinese state. General Chiang's Government has always to hold a rather uneasy balance between reactionary groups on the one hand, who would like to see the perpetuation of the present party dictatorship, and, on the other, the Communists, who have at no time during the war completely abstained from build-

ing up their own power, and attempting to weaken the control of the National Government.

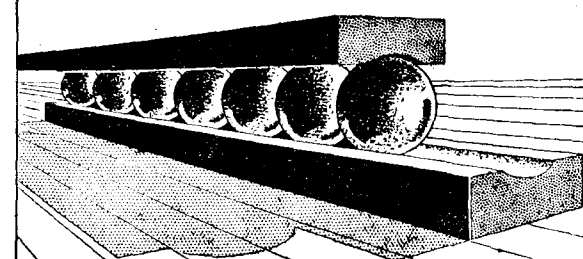
Persia has declared war on Germany, and adhered to the Declaration of the United Nations. This is a very fitting close to the story of Persia's relations with the Allies in the course of this war, which began in August, 1941, with the occupation of Persian territory by the Russians in the north and the British in the south. Persia's entry into the war does not solve its pressing economic difficulties. Persia has suffered more than any other Middle Eastern nation from food shortages, a result in part of a lack of co-ordination between the policy pursued by Russia in the northern grain-bearing districts, and the British and Americans in the south, who were compelled to make good the deficit of the north by shipping in supplies at a time when shipping space was very short; and, in part, too, to a definite lack of vigour in the Persian Government's attitude towards hoarding, and also a certain lack of Allied vigour in its relations with the Persian Government.

Salamaua, the key Japanese base in New Guinea, has been captured. The final phases of the fighting, during which General MacArthur made use of parachute troops, suggest that the Allies are mastering the technique of jungle fighting and developing their own more effective versions.

Penicillin, the production of which has already begun in the United States, where twelve plants are in operation, is now to be produced in Canada, at first mainly for use by the Canadian armed forces. The drug, which is a British discovery, is an important development in chemotherapy. Its properties in the killing of bacteria are such that it will probably put the sulphonamides' noses quite out of joint.

By a printer's error the following sentence was permitted to appear on page 334 of the issue of September 4th: "they [the Russians] will have prepared the ground for their third and most *pretentious* winter offensive." The word "*pretentious*" should, of course, have been "*portentious*."

RACE . . .



for post-war business

The post-war business will move "on ball bearings." Drawers and filing cabinets will open and close at a touch. Desks, cupboards and shelving will be fire-resisting, clean, and practically everlasting. STEEL supplies the answer to all problems of post-war office and factory furniture and equipment, and even now the designers and craftsmen of the great Sankey-Sheldon organisation are at work. New designs with unexpected refinements and devices will be available in the Sankey-Sheldon post-war range of steel furniture and equipment.

SANKEY-SHELDON
STEEL FURNITURE & EQUIPMENT
Chief Office: 46 Cannon Street, London, EC4

Also Harris & Sheldon Ltd.
Makers of Shops.

THE WORLD OVERSEAS

The Canadian Parties

(From Our Ottawa Correspondent)

August 9th

THE Co-operative Commonwealth Federation originated as a political party in Canada in 1932 at a meeting of farmer-labour politicians in Calgary. It inherits an agrarian and progressive tradition in Canadian politics. It has been regarded as mainly a western political party. But it is now established as a major force in national affairs, since its candidates won 34 out of 90 seats in the Ontario legislature.

Third-party elements have appeared in Canadian politics before, but the two-party system has survived in the main through the ability of established parties to adapt themselves to change. Earlier and temporary third parties in Canada have arisen as demonstrations of protests. They have been symptoms of unrest and upheaval, harbingers of change in the direction of Canadian affairs. The Liberal party of Mr Mackenzie King continued the tradition of Sir Wilfrid Laurier, the creator of Dominion autonomy in the British Commonwealth. But it also absorbed much of the Progressive movement of the early 1920's, by the simple expedient of moving left. The Progressive-Conservative party of John Bracken inherits the tradition of Sir John A. Macdonald and R. B. Bennett. But tradition is not enough, and the party is led away from the extreme rightist and imperialist position occupied by Bennett and associated in the Canadian mind with the depression of the 1930's. It must change or die.

The recent election in Ontario uncovered currents of political change that will affect the course of Canadian policy. It produced a stalemate, with the Conservatives, led by George Drew, falling half a dozen seats short of majority. The popular vote was divided fairly evenly among three parties:—

among three parties.		(Thousands of votes)		Gain or Loss
	1937	1943		
Conservatives	627	426	—	201
CCF	78	375	+	297
Liberals	798	359	—	439
Others	68	90		...

Apathy accounted for the disappearance of more than 300,000 votes, though Ontario has gained population from other provinces because of the concentration of war industries there, which is probably sufficient to offset absentees in uniform. As premier and leader of a minority government, Mr Drew will have the difficult task of steering a course that will commend itself to the real majority of Ontario opinion. Such circumstances may produce good government, as experience shows.

But Mr Drew's failure to win a handsome majority, at the moment of the collapse of the Liberal administration after nine years in office, has set back Conservative hopes in the Federal field. The Drew campaign contained many Federal implications. As Mr Bracken pointed out, it demonstrated Conservative ability to win rural ridings in Ontario.

George C. McCullagh, publisher of *The Globe and Mail*, a Toronto morning newspaper, played a remarkable rôle in the Drew campaign. He made two radio broadcasts, directing the attack mainly at the Federal Government, and singling out the racial issue. He quoted from *Le Devoir*, a Montreal daily newspaper, which had predicted the dominance of the French-Canadian race in Canada through its increasing birth-rate. This "revenge of the cradle" is the bogey of Laurentianism in Canadian politics. It was Conservative money from Toronto that supported the founding of *Le Devoir* in 1910, to oppose Liberal naval policy and undermine Mr Laurier's position in Quebec.

One Conservative advertisement, sponsored by a war veterans' organisation, claimed: "The CCF Would Get Rid of Churchill." There being no one in Ontario public life by that name, this was taken to refer to the Prime

Minister of Britain. The No. 1 plank in Mr Drew's platform called for maintenance of the British connection, and the Conservative slogan became: "Keep Ontario British." What danger, except the Axis, existed to British institutions in Ontario was not clear. No party in the election opposed either the British connection or British institutions, which are thoroughly and irrevocably established in Canada. The curious element of flag-waving in this feature of the campaign, which was by no means negligible, remain a mystery to outsiders. It has little relation to genuine political factors, except in one respect, the fear of encroachment by non-British racial stocks. The melting-pot of the new Canadian nationalism is changing Ontario, as it is other parts of Canada. The Ontario Conservative appeal to racialism contributed to its failure to gain a majority, and it will be a source of embarrassment to the party in the Federal field in a nation in which racial textures are truly mixed. Racialism is not the agency of British institutions in Canada, and it is probably their enemy.

Blow to the Government

The decline of the Liberal party was a serious blow to Mr Mackenzie King's Government. The tide is ebbing. Observers could apply Ontario results to Federal constituencies and begin to estimate the Government's casualties in the next Federal election, which is due not later than June, 1945. The instability of the Liberal administration could be gauged by the fact that it had had three premiers in less than a year—Hepburn, Conant and Nixon. The party has been reduced in Ontario to the rôle of a balance of power. Its fortunes had rested on the strange personality of Mitchell Hepburn, who forsook it to run and be re-elected as an Independent.

The CCF plainly became the vehicle of political unrest. It levelled its main criticisms at the Federal Government's policies of economic stabilisation, especially wage control. The party, not yet quite sure in its own mind whether it is outright Socialist or merely reformist, is now comfortably installed as the Opposition in three provinces—Saskatchewan and British Columbia as well as Ontario. "Now we must prepare," said Mr Coldwell, national leader of the CCF, "to win a clear majority in the House of Commons in Ottawa." He claimed that CCF votes in Ontario were votes against Federal war policies, mainly labour and wage restrictions. The CCF has become closely allied with trade unions, electing 19 trade union members in its group of 34. It harvested political discontent in industrial districts where there have been labour disputes. Three of its elected members were Canadian Congress of Labour organisers, including C. H. Millard, Canadian director of the Steel Workers of America. CCL unions are mainly affiliated with the CIO in the United States. The CCF success was the first major successful stand against the Federal anti-inflation programme.

The CCF promised to follow the model of the New Zealand Government, which led Conservative and Liberal papers and speakers to devote much criticism to New Zealand's record. A Liberal handbill entitled "Chaos in New Zealand" brought a rebuke just before the election from the Acting High Commissioner of New Zealand in Ottawa. One Liberal candidate promised to lock up his drug stores in Ottawa if the CCF programme were put into effect. Against the background of industrial transformation in Canada, the CCF assumes a new importance. It threatens to become the beneficiary of political reactions to war controls. It threatens to rob the Conservatives of their prospects of regaining the position of traditional alternative in Canadian politics. In Ontario, the CCF leader, Edward B. Jolliffe, a Rhodes scholar and lawyer, has become the new major personality in politics.

Mussolini's Hundred Days

AN article in *The Economist* last week described the various phases of the anti-Fascist revolution from the downfall of Mussolini to the conclusion of the armistice. The German occupation of northern and central Italy marks a new and dramatic turn. The Fascist counter-revolution has started with the help of German arms, and the reappearance of Mussolini is to symbolise the restoration of Fascism. Recent days have brought reports about strikes of transport workers in the north and the suppression of "Communist riots" (the German formula) in Milan, Turin and Genoa. The picture of July 25th has now been reversed in the towns of Italy. Black Shirts have reappeared, the symbols of the old regime have been reinstated, and Mussolini's opponents are being ruthlessly exterminated. The Duce's Hundred Days have begun.

Italian Fascism is being restored, temporarily, by the German army, and the civil war in Italy has been merged with the war between the United Nations and the Axis. Though the issue will be decided primarily by the force of arms, the array of political forces inside Italy will continue to play a very important rôle in the struggle. Events will show the balance of military forces between the Allies and the Third Reich; but the period that elapsed between Mussolini's downfall and his escape has already revealed the relation of the political forces which are arrayed against one another in the Italian civil war. The striking feature in the state of Italy under Badoglio was the apparent absence of Fascism. On July 25th Mussolini's regime collapsed like a house of cards; not a single noteworthy attempt was made to defend the system that claimed to have inaugurated a new millennium of Roman conquest and glory. The first wave of the revolution was far too strong to allow the leaders of Fascism to raise their heads; the once powerful prefects of the police accepted Badoglio's reshuffles and dismissals without demur; the militia meekly accepted its incorporation into the Army; the newspapers changed their Fascist staffs for liberal ones overnight. Everywhere the change was apparently made smoothly, almost without friction or pain. This, at least, was the scene on the surface.

In truth, however, the cadres of Fascism could hardly have reconciled themselves so complaisantly to the new position. The great and inert mass, which once applauded Mussolini and his victories, might indeed have swung to the other side. The minor officials and essentially non-political subalterns of Fascism might hastily burn their black shirts and try to serve new masters. But the pretorian guards of the regime, the big and small party leaders, the militiamen, and so on, were too well known and too compromised even to attempt to change their spots. They had a vital vested interest in the maintenance of Fascism; and, fortunately for them, during the six weeks between Mussolini's dismissal and the armistice, the anti-Fascist revolution left the Italian countryside almost untouched. Up to the armistice the revolution still seemed to be almost exclusively the concern of the towns. The Italian peasantry has no reason at all to defend Fascism, and Mussolini cannot count on any loyalty or devotion from the peasants; but though not loyal to Fascism, the countryside has remained politically helpless—and a refuge for Fascists.

A Month in the Country

What is happening in the Italian countryside? This question often crops up in the Italian press [wrote a Swedish correspondent a few days ago]. It is known that the Fascist authorities, even in places near Rome, ignored July 25th, suppressed all demonstrations at the fall of Mussolini, and continued to govern as before. The peasants had got used to these authorities in twenty-two years. They heard about the fall of Fascism in the towns, but they had not the initiative to settle affairs with the local Fascist leaders.

Politically, the countryside lagged—a familiar feature in all similar upheavals. Lack of initiative springs from the natural inertia of peasants. In Italy it also sprang from the fact that, under Fascism, underground opposition could more easily develop in towns than in villages where the movements of every inhabitant were more closely watched and controlled.

There can be little doubt that the pretorians of Italian Fascism were quick to exploit this major weakness of the anti-Fascist revolution. Fascist offices and organisations in the villages seem to have provided shelter for political refugees from the towns; and the countryside became the rallying ground for the survivors of Fascism. At first, nothing was publicly heard about them. But already in August,

Wartime Experience in Propaganda that will help to rebuild Britain's Export Trade

BEFORE 1939, the use of up-to-date methods of advertising and market research was almost exclusively confined to the manufacturers and exporters of the British Empire and the United States.

It can no longer be expected that this situation will reappear after the war. The word "propaganda" is now firmly entrenched in the world's vocabulary, and few business men will have failed to understand its translation into the language of the peace. Similarly "research," though less clearly understood, is now widely recognized as forming an integral element in the post-war revival of trade.

Nevertheless, under the stimulus of war, the English-speaking nations have, if anything, increased their leadership in these fields. The new techniques of propaganda that began to appear in the early '30's have developed into an indispensable weapon of war and international relations; and the new methods of research into public opinion and public behaviour have played no inconsiderable part in the direction of affairs on the home front. It is interesting to note, for example, how field research into the needs and habits of different sections of the community has helped to solve rationing problems.

Post-War Export Problems

When peace returns, British manufacturers who fail to make use of these same techniques and methods in recreating their overseas markets will find themselves at a distinct disadvantage.

Although present conditions prevent a full consideration of the many problems with which the rebuilding of Britain's export trade is beset, it is generally agreed to be in the national interest to initiate now whatever planning can be undertaken without detriment to the war effort.

To business men already thinking along these lines, the J. Walter Thompson Company Limited is particularly well-equipped to render assistance.

International Facilities

Both before and during the war the Company has helped in the development of the new propaganda techniques and market research methods, on behalf of the Government as well as commercial interests. Furthermore, it enjoys the advantage of an international organization whose facilities enable it to provide an intelligent and realistic interpretation of overseas marketing conditions.

Naturally, at the present time, the Company's offices in Occupied Europe are closed, but operations are still being maintained in Great Britain, the United States, and South America, as well as in India and all the Dominions, with the exception of New Zealand.

Despite inevitable reductions in staff, the offices still functioning are in a position to undertake research and planning on a limited scale. The Company will be pleased to exchange views on the post-war export problem with any responsible concern, irrespective of any prospect of business relationship.

J. Walter Thompson Company Limited

6 Grafton Street, London, W.1

BOMBAY	BUENOS AIRES	CALCUTTA	CAPE TOWN	CHICAGO
JOHANNESBURG	MELBOURNE	MONTREAL	NEW YORK	
RIO DE JANEIRO	SAN FRANCISCO	SÃO PAULO	SEATTLE	
	STOCKHOLM	SYDNEY	TORONTO	

during the critical period of the tension between the Badoglio Government and the Labour movement, some signs of their activity became apparent. There was talk about the formation of a Neo-Fascist party, followed by an official, somewhat half-hearted, denial. The strike movement in the north undoubtedly frightened some sections of the upper class, and it may well be that some sort of a neo-Fascism was contemplated to counterbalance the Labour movement. Before the German intervention, the revival of Fascism could be no more than a vague threat; but the advance of the German panzers on Italian soil was the signal of Fascist revenge. The militiamen, whom Badoglio had incorporated in the Army instead of disarming and disbanding them, now stepped forward. True, they are discredited and compromised; and they cannot hope to stir a new mass movement around them. But they can and do play their part as the army of the civil war, which has a vested interest in maintaining "order" behind the German lines. In the course of his Hundred Days Mussolini can no longer play the part of the Duce; but, as in the days of the march on Rome, he may again be able, as chief of the Black Shirts, to drown in blood the forces of Italian democracy.

The actions of Italian democrats under the Badoglio regime were described in some detail last week. Their struggle—full of ardour and sacrifices—for freedom and for peace with the Allied nations has not been in vain. For the time being, under the German occupation, they have been forced back into the underground. But before their voices were silenced by the combined violence of Nazism and Fascism, their last appeal was a call to the Italian people to prepare for the fight against the "new enemy." The appeal was issued—after the announcement of the armistice—by the "Front of Liberty," the political bloc which comprised the Group of Liberal Reconstruction, the Christian Democratic party, the Democratic Labour party, the Party of Action, the Italian Socialist Party of Proletarian Unity, and the Italian Communist party. Its last call expressed the will of the Italian people to recover their honour from the shame into which Fascism—and Nazism—dragged it in the past, and are now trying to drag it again.

Four Years of Neutrality

[FROM OUR DUBLIN CORRESPONDENT]

August 23rd

It may not be without interest to attempt a brief survey of the condition of Eire at the end of the fourth year of war. Although the country has succeeded in maintaining its neutrality, it has not been able to avoid the effects of a conflict involving all its neighbours. Indeed, Eire has been, so to speak, completely surrounded by belligerency, and it is rather surprising that it has escaped the direct consequences of the war to the extent that it has done. The prophecies made before war broke out have been largely proved false. On the one hand, the soaring agricultural prices which characterised the first world war have not been repeated, while, on the other hand, gloomy forecasts of starvation and bankruptcy have, luckily, been very far from correct.

One unquestionably favourable feature is the lack of physical destruction caused by bombing. The damage inflicted by the few bombs that did fall is negligible, and, at least (provided our neutrality is respected to the end of the war), we shall be spared the cost of replacing a vast volume of destroyed buildings. Another favourable feature is that the supply of food has been, generally, well maintained. There have, of course, been shortages of imported foods, and even many home-produced commodities have been in short supply, but there has been no shortage of food as a whole. The compulsory tillage policy has increased the output of wheat and beet. Meat has been abundant. Butter, eggs, potatoes and vegetables have been comparatively plentiful.

The favourable balance of payments that has developed during the war must also be reckoned as a benefit. This would not be admitted by everybody in Eire, where much criticism has been directed against the exchange of tangible exports for "worthless paper." This, of course, begs the question. All the available evidence suggests that the value of sterling will be maintained at a reasonable level, and, if this conclusion is correct, the sterling balances now accumulating will greatly assist in procuring the large imports of capital goods and raw materials that will be needed when peace returns. It is realised that many of the war controls will continue for a while, even when hostilities cease, but, as soon as supplies of imports are again to be had, the

possession of the means to pay for them will not be despised. Finally, the public finances have withstood the strain of the war. In spite of the increased expenditure on defence and emergency social services, nine-tenths of Government expenditure has been met by current revenue, which has proved unexpectedly buoyant. Such borrowing as has been necessary has been effected internally and at very low rates of interest. The yield on Irish Government securities is practically identical with that on British securities of similar maturity.

Adverse Features

Among the adverse features of Irish economic life must be reckoned the reduction in the numbers of livestock caused by the shortage of feeding stuffs. Moreover, the fertility of the soil has not been maintained owing to the shortage of natural and artificial fertilisers. To some extent, the country has had to live on its agricultural capital. But the replacement of the livestock and the restoration of fertility should be rapidly achieved after the war; no permanent damage has been done. Another unfavourable feature is the acute shortage of fuel. The decrease in imports of coal has almost paralysed the railways, has reduced the supply of gas and electricity and has led to many difficulties in domestic heating. Great efforts have been made to provide substitutes. Timber is being felled on a large scale, and the production of turf has been vigorously pushed forward, but it would be idle to deny that coal is still greatly missed. The shortage of petrol, paraffin and other oils has also been the cause of much inconvenience. Raw materials of many industries have been hard to obtain, but substitutes have been discovered in some cases.

Regarded from the long-term aspect, the emigration to Great Britain should be regarded with disfavour, although it has helped to solve many immediate problems by reducing the volume of unemployment. In the long run, the emigration represents a draw on Irish resources. It is unquestionably wasteful to provide supplies of labour which adds to the national income of countries other than that which has incurred the expense of rearing and educating it. It is true that much of the war emigration, unlike the emigration to the United States in the nineteenth century, is only tem-

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees, alone among British cocoa and chocolate manufacturers, pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

porary. Nevertheless, the return of the emigrants after the war will give rise to many problems. Not only will they expect to be provided with employment, but they will have become accustomed to British standards of wages and social services—they will be "Beveridge-minded." Meanwhile, the remittances which they send to their relatives, while helping the immediate recipients, aggravate the inflationary tendency which is undoubtedly developing. The cost of living index number has risen by 59 per cent since the outbreak of war, compared with 28 per cent in Great Britain. The cost of clothing has risen by 87 per cent and of fuel by 86 per cent. Heroic efforts have been made to stabilise wages, and subsidies have been provided on bread and turf. The upward pressure of prices is, however, very strong. To a large extent, it is caused by increased prices of essential imports, which are, by their very nature, outside the control of the Irish Government.

At the end of the fourth year of the war, Eire appears to be stronger financially than economically. The problem that will have to be rapidly and energetically tackled after the war will be the utilisation of the country's financial strength to increase production and expand the national income.

Letter to the Editor

The Place of Parliament

TO THE EDITOR OF THE ECONOMIST.

SIR,—In your fascinating issue of September 4th there is one allegation which I venture to call in question. It is that in which you suggest that the direct power of Parliament is to-day much less than it was.

I cannot pretend to any personal knowledge of the Parliaments of the nineteenth century, though, to judge from the account given by Low in his "Governance of England," written, I think, at the beginning of the twentieth century, private M.P.s had not had for some time past much direct influence. But of the last twenty years I can speak from inside information. I venture to assert that the present House of Commons, elected in 1935, has exercised more power than any of its immediate predecessors, except perhaps for the two brief periods of minority Labour Governments.

This is particularly true since the formation of the War Coalition, but, even before that, the House had secured the resignation of Sir Samuel Hoare over the Abyssinian question; had induced the Government to create supplementary old age pensions; had insisted on Mr Chamberlain honouring promptly the pledge to Poland; and, as you yourself mention, had overthrown the Government and made Mr Churchill Prime Minister.

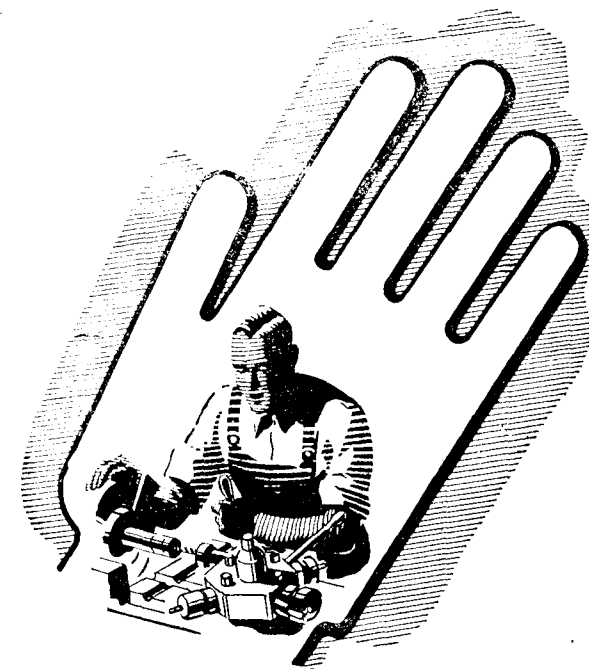
Since May, 1940, the House of Commons has been supreme, and the Government has interpreted its wishes. This is hidden from the outside public, partly because the newspapers have very little space to report the debates, but still more because M.P.s prefer to exert their pressure otherwise than in the division lobby, or even in criticism in the Chamber.

I need only mention a few of the admitted achievements of the House of Commons. On several occasions it has induced Mr Churchill to make important changes in the personnel of his Government. It pressed the necessity for national war damage insurance, and, after the Bill was introduced, substantially changed its provisions. It brought about the virtual abolition of the Household Means Test. It has destroyed the Government's fuel rationing proposals. It has procured, in successive stages, immense modifications in the Purchase Tax. It forced on a reluctant Cabinet equal compensation for women for war injury. It has insisted on substantial ameliorations in conditions, pay and pensions of the Services. While some of these have been the work of sections of M.P.s, most of them have been brought about by the House as a whole.

I could continue the list, but must not trespass unduly on your space. I will only add this observation, which you yourself negatively realise. The added power of Parliament to-day arises largely from the fact that as, by common agreement, there cannot be a general election while the war against Germany continues, M.P.s are not "committing suicide" when they oppose the Government.—Yours, &c.,

F. W. PETHICK-LAWRENCE.

House of Commons, September 11, 1943.



CORRECT LIGHTING is an extra hand

IF war-workers had three hands instead of two it would substantially help output. Obviously they cannot be given a third hand, but they can be provided with such perfect seeing conditions that two hands can almost do the work of three.

GOOD SEEING HELPS OUTPUT

It may be difficult to believe that correct lighting can actually assist production, but there is a substantial and indisputable array of evidence to show that correct lighting does in fact do so.

GOOD SEEING REDUCES ABSENTEEISM

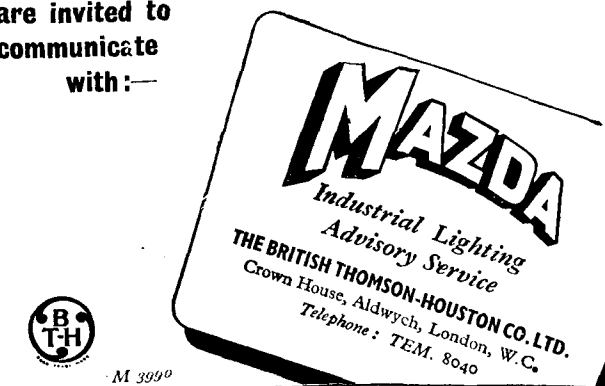
Correct lighting prevents

premature fatigue and counteracts strain. Consequently it reduces absenteeism through minor ailments and is an important factor in eliminating accidents.

GOOD SEEING REDUCES WASTE

Correct lighting is a proven economy in other directions too. It reduces spoils during processing and exposes faults and flaws in "raw materials." Above all, it helps to overcome the handicap of poor sight imposed by advancing age. It is a fact that elderly workers need up to 50% more light than youngsters.

All who are interested in "BETTER SEEING" are invited to communicate with:—



M 3999

Germany at War

The Fifth Year

GERMANY enters the fifth year of the war without any hope of the fresh conquests which, for the first two-and-a-half years, were the foundation of an expanding war economy. The conquered, their material resources and their manpower enabled Germany to equip additional armies and sustain the civilian population with meagre but sufficient rations. From the winter of 1942-43 the area of conquests began to shrink with the result that Germany's war economy inevitably contracted. This contraction is very marked in contrast to the still expanding war economy of the British Empire and the United States of America.

Several times during the war new German armies have appeared at the front well equipped and well fed; and even now no reports suggest that the German armies lack the essential materials for continuing the war. But, in sharp contrast to this, there is the totally inadequate supply situation in the occupied countries and the disappearance of civilian goods in Germany itself. Step by step Germany took upon itself commitments which have proved beyond its material and productive resources. By the wholesale requisitioning of stocks and materials in captured countries the Economic Commands of the *Wehrmacht* destroyed the foundations for an effective European war economy. Political blunders led to the Balkan campaign and deprived Germany of Bulgaria, Yugoslavia and parts of Greece as undisturbed supply centres. Economic gains from the occupied Russian provinces have been small compared with the loss of material during the campaigns in Russia.

The different stages of Germany's war economy have shown, each in its turn, a shifting of bottlenecks and difficulties from one sector of the economy to the other. The early period of rigid concentration of industries was replaced by a policy of the dispersal of orders. After the captured countries had been denuded of their stocks of foodstuffs and raw materials, the policy of industrial collaboration followed, until the unsuccessful war against Russia enforced the most rigid concentration of industries and manpower inside Germany itself. Although Germany found in almost every captured country some willing collaborators, the totalitarian political regimes which these collaborators tried to organise were largely failures. Effective economic organisation on the model of the German war organisation could not be built up, partly because of the lack of effective totalitarian governments and partly because of the lack of modern administrations. Rationing and price control, centralised administration and the planned allocation of raw materials, machinery and orders, which are the cornerstones of war economy, are lacking or faulty in all the occupied countries, particularly in the Balkans.

It is true that German banks and industrial concerns control finance and industry in all the occupied countries. Coal, steel, oil and chemical concerns have reduced important industries in many occupied countries to mere subsidiaries. But the framework of a European totalitarian economy as the Nazis saw it still remained no more than a plan. With each penetration, German commitments grew; and the lack of imported raw materials and the necessity of turning industries over to substitute production enforced still more rigid planning and the use of still greater numbers of workers. At the beginning of the fifth year of the war, the deterioration of agriculture and industry in occupied countries has become so pronounced that this year's overall production in Western Europe will probably fall below 50 per cent of production during the last pre-war year. In contrast the cereal harvest in Balkan countries is reported to be good for the first time since 1939.

Against this background of contraction and growing weakness, the German armies are retreating in Russia. The delaying defence which has been carried out at many places during more than two months of heavy fighting can be explained by the desire to get as much of the harvest out of Russia as possible. Military necessity, which now requires, above all, the husbanding of manpower and material would have suggested a general retreat. But the little that has been produced in occupied Russia is priceless for Germany. Food supplies from Italy can no longer be expected, and the grain surpluses available in Balkan countries are no longer as readily sold to Germany as in 1939. In spite of

an average grain harvest in Germany itself, the food situation there will remain extremely strained because of the influx of millions of foreign war workers who must be supplied with a minimum of food.

This, then, is the situation that confronts the Nazi leaders. A general retreat in Russia will undoubtedly free some of their forces. But the situation in Italy, the Balkans and all the other occupied countries demands still more forces for more effective occupation and to meet landings by Allied troops. The nemesis of over-ambitious conquest is overtaking Germany.

Air-War Economy

The concentrated air attacks on German towns have affected, with varying degrees of destruction, roughly 50 per cent of all the German towns populated by more than 100,000 inhabitants. If German reports are taken at their face value, roughly 5,000,000 people have been, or are shortly to be, evacuated from these towns. In addition, there is a concentration of about 8,000,000 foreign workers and prisoners of war on German territory. This is, in absolute and relative terms, the greatest migration of people that Europe has ever experienced. At earlier stages in the war, millions of Poles, Jews and the so-called *Volksdeutschen* from South-Eastern and Eastern Europe were moved to new places or, as was the fate of Poles and Jews, simply exterminated. A very substantial part of the German and other peoples of Europe are without a permanent place of residence. Millions of workers, including Germans, live in camps. Villages and peasant houses in Southern Germany and in Western Poland, particularly the so-called Warthegau, are fearfully overcrowded. Two to four evacuated persons live in one room.

The economic problems created by this mass evacuation are only tentatively discussed in German papers, mostly in the form of exhortations addressed to shopkeepers to do all they can to supply the evacuees. The problems of sanitation, medical services and schooling must be as staggering as the migration itself. A new system of priorities for evacuees has been introduced, and this has made it necessary to suspend the selling of household goods and clothing to all other persons. This tremendous upheaval has not come upon Germany during the last months. The migratory movements date back to the first years of the totalitarian regime. They were accelerated at the beginning of the war and reached tremendous dimensions during 1942-43, especially under the impact of large-scale bombing. If the process had not already begun, the sudden increase during recent weeks would have paralysed the entire economy.

The welfare of individuals is, as a rule, of little concern to totalitarian regimes, in spite of the sentimental propaganda that comes from Germany. Centralised control makes it possible to move people with relative ease. As long as the *Wehrmacht* is fighting on the various fronts, and as long as the regime remains intact, the people can be moved. The main concern of the Nazi regime at the moment is to maintain war production and war transport. This is the reason why German papers speak of an "air war economy." The dispersal of factories is physically limited by the location of heavy industries and the capacity of the transport system. Both limits seem to have been reached, or will certainly be reached, during the autumn and winter.

Industries that cannot be moved must be repaired after bombing attacks. There are indications that a considerable part of the Labour Service and the building industry have been reorganised for the repair of industrial areas, particularly in the Ruhr-Rhine region. Minister Speer set up a "Ruhr-Staff" and appointed a new special commissar for the building industry. At the same time the "Organisation Todt-Regiment Speer" has been formed and is reported to have been moved into the Ruhr area. The Labour Service Corps, as well as the *Wehrmacht*, are also clearing the ruins of bombed towns. Germany has long since passed the peak of production, as well as of military strength. As long as the regime is able to maintain internal political stability, determined military defence will be continued, with the hope that some day general exhaustion or war weariness in all countries may create a situation favourable for a communist

THE BUSINESS WORLD

Brewery Shares

BREWERY shares, according to *The Actuaries' Index*, have risen in value on the average by 15 per cent in the last twelve months, against an increase of 24 per cent for all industrial stocks. They were, however, early starters in the wartime recovery race, and are still well ahead of the remainder of the field. If the comparison be thrown back, say, by fifteen years, brewery shares are now nearly 43 per cent higher than at the top of the boom in December, 1928, when the Actuaries' computations started. Only one other group of shares—electrical manufacturing—has shown a greater overall increase during that period, and the figure for all classes of industrials is still 21 per cent below the base level. *The Actuaries' Index*, compared with other measures of Stock Exchange values, is definitely conservative, and there have been intermediate changes in its constituents, including those of the brewery group. That, however, does not invalidate the conclusion that, in a market in which equity values on the whole have certainly shown no marked advance for a decade and a half (the present market level, like that of 1928, has been reached after a sustained cyclical advance), brewery shares have asserted and maintained an upward trend which has given long-term holders more substantial capital appreciation than almost any other group in the market. Since brewing is a consumption industry, and this is wartime, the latter trend calls for more than superficial explanation. When the further facts are added, first, that from 1928 to the outbreak of the present war the trend of beer consumption was downward rather than upward, and, secondly, that since the war began the beer duty has been raised from 80s. to 28s. 10½d. per standard barrel, and the retail price of beer has been increased by 6d. a pint—then the market achievement of representative brewery shares begins to approach almost the uncanny. What are the reasons for their extraordinary long-term buoyancy?

Clearly, the building up, at the present time, of a huge speculative position in brewery shares is not one of them. Breweries have always been a long-term investors' rather than a speculators' market. A comparison of yields now and fifteen years ago (4.34 per cent against 6.23 per cent) suggests that investors are valuing the shares on a lower income basis to-day, but not by much more than the intervening fall in interest rates generally would lead one to expect. The explanation of the brewery investors' favourable experience must be sought in conditions in the industry rather than the market. What those conditions were in the decade before the war is fairly clear. The industry was steadily increasing its internal efficiency, partly by a progressively closer grouping of productive units and increasing concentration of production in the larger firms, and partly by a consistent policy of modernisation of its properties (largely financed by ploughed-back profits) and improvement of its general "catering" services to customers. Up to 1939, in fact, the industry's experience was an object-lesson in the efficacy of an enterprising industrial and financial policy in overcoming moderately, though not unduly, adverse background factors.

Events since the war, however, obviously need a different explanation. The first factor which has helped the industry has been, not so much the inelasticity of demand as what might be called its "inverse elasticity." Beer consumption (in terms of gallons drunk by the public) has not merely failed to decline as successive increases in the Exchequer's toll have been passed on, but has actually risen substantially since the early months of the war. In the twelve months to June, 1940, total consumption was 25,533,000 bulk barrels. In the next twelve months it rose to 26,929,000 bulk barrels, and in the year to June, 1942, to 29,889,000 bulk barrels. The latest figures, to June, 1943, show a slight decline to 29,541,000 bulk barrels, but this was due entirely to a fall in consumption during the third and fourth quarters of last year. Since the beginning of 1943, the figures have been

running steadily above those for the corresponding quarters of 1942, and the six months' figures exceed those of January to June in the last pre-war year, 1939, by as much as 22 per cent. The conclusion is inescapable that full employment is markedly favourable to high beer consumption, particularly when activity is high in the heavy metal and engineering industries, and many competitive "satisfactions" are rationed while beer is not.

The industry, necessarily, has reduced the average specific gravity of its product as taxation has risen—a given number of standard barrels, that is, represent more bulk barrels than before the war. On the other hand, its costs have risen, and its labour position has become increasingly stringent. But its achievements by way of expenditure economies have been striking. Reduction in advertising expenses has been among the most important of them. Services to customers have been curtailed, though to a less extent than might have been

TREND OF PROFITS AND DIVIDENDS

Company (and Balance Sheet Date)	Aschels (Sept. 30)	Barclay, Perkins (Mar. 31)	Bass, Ratcliff (Sept. 30)	Courage (Dec. 31)	Charrington (Dec. 31)	Ind. Coors & Alsopp (Sept. 30)	Arthur Guinness (June 30)	Threlfall's (June 30)	Watney Combe & Reid (June 30)
<i>Profits (£'000):</i>									
Three pre-war years (average)	770	359	1,029	488	1,192	1,061	1,724	382	1,418
First three war years (average)	963	415	1,480	410	1,071	1,542	1,315	400	1,624
1942.....	1,116	519	1,506	424	1,119	1,851	1,187	402	1,331
1943.....	...	568	...	...	...	...	1,286	409	1,108
<i>Ordinary Earnings (per cent.):</i>									
Three pre-war years (average)	32.3	9.1	27.1	28.8	33.6	35.0	29.6	21.5	32.5
First three war years (average)	31.0	8.4	22.6	23.0	30.0	30.2	30.6	21.2	31.3
1942.....	35.5	8.1	20.5	27.0	32.1	31.7	30.2	20.1	35.3
1943.....	...	10.6	...	...	...	...	32.8	26.2	46.3
<i>Dividends (per cent.):</i>									
Three pre-war years (average)	17.5	7.5	25.0	18.3	16.0	26.2	28.0	18.0	18.0
First three war years (average)	17.5	4.5	20.0	14.3	12.0	22.5	26.7	18.0	16.7
1942.....	17.5	5.0	20.0	15.0	12.0	22.5	29.0	18.0	18.0
1943.....	...	6.0	...	...	...	...	29.0	18.0	18.0
<i>Ord. Share Prices (£1):</i>									
Highest, three pre-war years	103/9	37/9	172/6	94/6	79/-	126/10	143/1	84/-	88/-
Lowest, during war	42/6	8/-	92/6	36/3	38/6	47/-	44/-	41/3	30/-
Present	87/0	28/9	164/0	78/6	65/6	99/0	122/6	76/6	78/0
<i>Yield at Present Price (%):</i>									
On Earnings.....	4.17	7.37	2.50	6.88	9.81	6.40	5.37	6.85	11.87
On last Dividend	4.02	4.18	2.44	3.83	3.66	4.54	4.74	4.71	4.61

* All profits after tax. † Free of income-tax. ‡ On increased capital.
§ After taxation. || After War Damage Contribution in 1941 and 1942; none in 1943.

expected. A considerable saving, finally, has been achieved by voluntary pooling of deliveries (mainly to economise staff, rubber and petrol) which this year has passed over into zoning, at the instance of the Ministry of Food. Important, however, as the results of its own endeavours have been, the industry has undoubtedly owed a great deal to one crucial factor beyond its own control—namely, the favours it has received from the Government as a wartime "protected" industry. Early last year, a Parliamentary questioner was informed that it was not in the national interest to reduce beer production, and last December the Ministry of Food stated that there was no intention of concentrating the industry. The Ministry has ensured a sufficiency of brewers' raw materials, while the Ministry of Labour has tempered expediency with mercy in its demands for the withdrawal of personnel for the war services. How far the Chancellor of the Exchequer has been a friend in disguise, and how far considerations of national morale have weighed with the authorities is a matter investors may be left to decide for themselves.

What the resultant of all these conditions has been on wartime brewery earnings is a question whose answer, paradoxically, is clearer than the evidence in support of it. Even before the war standardisation of balance-sheet presentation was an ideal at which the industry did not aim. Since the war, the difficulty of obtaining anything like comparable profit figures between one brewery company and another has been intensified by differences of treatment of items like taxation, deferred repairs to properties, war damage and others. In the table on the preceding page, an endeavour has been made to obtain profit figures on as near a basis of comparability as possible, and, particularly, to give some idea of the trend before taxation, but the nature of the data itself has made the results far from perfect. The figures show averages for the three years to 1939, and the first three years of the war, with separate figures for the latest of those years (1942), and for 1943 where possible. When all allowances are made for the approximate nature of some of the figures, the trend remains perfectly clear. Brewery gross profits, with few exceptions, have increased since the war, and are increasing still. The industry's traditional prudence in distributing dividends, however, has been even more in evidence since the war than before; for ordinary dividends have either remained unchanged or been actually reduced, although a few distributions, cut early in the war, have been restored to pre-war levels.

Comparison of brewery share prices at their pre-war peak, in the depths of 1940, and at the present time, respectively, shows, broadly, that the faith of investors in the industry's staying power as a profit-earner has been amply reinstated after a very temporary eclipse, three years ago, owing to conditions mainly external to the industry itself. The most striking feature of the present yield position is the wide disparity—much wider than in the general run of industrial shares—between dividend yields and earnings yields. That in itself points to the probability that the industry will face the problems of transition from war to peace, in due course, with a strong and liquid financial position. In some respects

the industry's task will be less, and in others more formidable, than those of some other home trades. As a consumption industry whose market has not been contracted during the war, it will have fewer structural problems to cope with than most. And its product, being non-durable, will have no "arrears of demand" to upset its normal schedule and impart the "jerkiness" which will be, perhaps, the most worrying of all the demand problems of many other industries. On the other hand, its plant and buildings will have a heavy programme of deferred maintenance and replacement to catch up with. And the inevitable redistribution of population after the war will involve fairly severe transitional readjustments in an industry where production is still highly localised.

For the long-term investor in brewery shares, however, the trend of future British domestic industrial activity as a whole is what chiefly matters. Full employment at a fairly stable level would bring steady and satisfactory profits to the trade, and probably enable it fairly easily to carry a burden of taxation whose weight, probably, will not be materially lightened. But a sequence of boom and depression in industry generally might reinstate a downward consumption trend, through the tendency of demand to lose more during depression than it regained in subsequent recovery periods. For its own part, the industry will almost certainly be able to carry over into peacetime some of the economies effected under stress of war. And neither the scope for increased efficiency through closer organisation, nor the industry's willingness to secure it, is near being exhausted—as the amalgamation, within the last few weeks, of Courage and Hodgsons in the Greater London area and the absorption of Julia Hanson by Wolverhampton and Dudley Breweries in the Midlands aptly attest. Admittedly, at their present prices, the leading brewery shares are chiefly meat for the long-term investor. But that has been true of brewery shares generally for the last thirty years, and will remain true for as far ahead as investors can reasonably be expected to plan.

Business Notes

A World Capital Bank

Discussions are about to be resumed in Washington on the problem of post-war monetary reconstruction. A British delegation, headed by Lord Keynes, assisted by Professor Lionel Robbins, has now arrived in the United States to represent this country. The whole field of monetary reconstruction will come under review, with special emphasis on the latest amendment of the United States Treasury plans and on the mechanism for the control of international capital movements. Reports from Washington state that a memorandum has been prepared by the United States Treasury on the establishment of an international bank which is to make available long-term capital in certain cases. The memorandum argues that

private capital will not be able to meet all the demands of post-war reconstruction. It has suffered too many losses and has been too severely discouraged by depreciating currencies, exchange controls and Government defaults to justify the hope that private investors will lend large sums to foreign countries except possibly at rates of interest which would be extremely risky because of the burden they would put on the borrowing country.

It is therefore proposed to establish an international organisation which would be called the Bank for Reconstruction of the United Nations and Associates, to undertake the task of financing that part of post-war reconstructions which would not fall within the sphere of private finance. The US memorandum emphasises that, before undertaking any long-term loan project, the bank would have to be satisfied, first, that the funds it made available could not be borrowed from private investors except at prohibitive rates of interest; and, secondly, that the loan would serve to raise permanently the standard of living of the borrowing country. This Bank for Reconstruction is also expected to play a considerable role in the international scheme for stabilising primary commodity prices and for organising buffer pools in commodities, which was propounded by the British delegation before the Hot Springs Conference. It might provide some of the finance required for building up the reserve stocks of commodities,

but it would also make loans for increasing the world supply of essential raw materials and assuring member countries of an adequate supply of these materials at reasonable prices.

Through American Blinkers

Every report which arrives from the United States concerning private and corporate reactions to the post-war currency plans makes it increasingly clear that the task, not so much of welding the official British and American views, but of bringing American opinion into line with the any compromise between the two, will be very difficult. The latest of the considered commentaries on the two currency schemes is that of the Economic Policy Commission of the American Bankers' Association, set forth in a report which has been submitted to the annual convention of the Association which opened in New York this week. The report of this Commission, of which Mr W. Randolph Burgess is chairman, is inspired with the kind of monetary philosophy which inspired the Cunliffe Report at the end of the last war. It stresses, above all things, the need for "soundness" in domestic currency before any attempt at international stabilisation can be made. It argues that

no country can maintain a stable currency unless its internal economy is in order, its budget is under control, its price level reasonably stable, and its external payments and receipts well balanced.

It goes on to point out that, regardless of any monetary standards that may be adopted or international organisation that may be devised, the main steadying influence in any international monetary arrangement must be provided by a strong currency. The American bankers have no doubt what that currency will be; it is

a stable dollar, free of all exchange restrictions, a dollar in which the world has full confidence.

In order to achieve the soundness and stability of the dollar, the only measures propounded are measures of

essentially domestic character. The balancing of the budget is one of them. Others are the elimination of obstacles to initiative and enterprise and the provision of "opportunity and not philanthropy" to the men and women "who are ready to restore the normal ways of life." The main criticism of the Keynes plan made by the report is that it holds dangers of inflation for the United States because it would result in expansion of Federal Reserve credit and it would cause a large demand for American products. It is notable that, in all this commentary on exchange stabilisation, there is no single word about American tariffs, except insofar as this subject may be implied in the demand for a reasonable balance in all countries' external payments and receipts,—not, specifically about planned full employment which, more than anything else, would keep up American demand for the world's goods. The gist of the argument does not augur too well for active American banking collaboration in the tasks of financial reconstruction after the war.

* * *

Markets and the War

The aftermath of Italy's unconditional surrender has been almost as disappointing to the market and the investor as to the ordinary individual. The reaction to the first news was a considerable increase in the number of bargains and an even more marked expansion of enquiry. The trend of business reflected an attempt to carry further the discrimination against wartime equities and fixed interest stocks and to pick winners for the post-war recovery stakes. Owing to the previous marked rise in these sections, it was not easy to find really attractive investments, but there were, nevertheless, some really good price rises. The net effect was, however, no longer a general rise in quotations, but a further transfer of weight from one set of securities to another. Consequently, the equity index of *The Financial News*, which had just topped the year's peak touched in early August, on Friday, September 10th, showed no further rise. Almost immediately it began to be seen that, while the potentialities arising from an occupation of Italy were very great indeed, the surrender of Italy had not very substantially altered the immediate position. Logically, the investor ought to react only to developments that promise to shorten the war and not to be much affected by day-to-day news. Until recently, that has been, broadly, his general attitude. But, since the idea that the end might come very soon has got a renewed hold on the public mind, he is unduly sensitive to daily developments and, mainly, to events in the Mediterranean theatre, to the exclusion of the possibly more important progress in Russia. In consequence, the rather ill news of the middle of this week caused a modest reversal of price changes. There remain so many unknowns in the way of Government policy which will affect equities that a number of cautious investors who are taking profit on equities are putting the proceeds into medium short gilt-edged stocks. This tendency has been mentioned before. It has so far done no more than slow down the fall in fixed interest stocks and the rise in equities. It is doubtful whether it can become a general practice, if only because it pre-supposes that the new holdings will be saleable at a very modest loss, and this is not a reasonable assumption to make, even for a dated Government stock, if there is a general rush to sell.

* * *

Transport in War and Peace

It has been recognised, though not at the beginning of the war, that, however efficient each of the four different means of transport in Britain might be, when judged by their individual performances, transport as a whole might be inefficient, and that the solution was to regard and operate rail, road, coastal shipping and canal facilities as one single system with four branches. In other words, the pooling of all transport facilities and their use to the best advantage, irrespective of convention or financial considerations, came to be the object of domestic transport policy, which has been achieved successfully enough to avoid serious delays, in spite of the growing volume of traffic. The pooling of Britain's transport facilities involved, as a first step, a greater measure of central control over each of the four separate facilities. Government control over the railways was tightened in the summer of 1941 with the appointment of a Controller of Railways, who is also chairman of the Railway Executive Committee, and with the substitution of a fixed annual payment to the railway companies for the sliding-scale of the previous

agreement. In the same year Britain's canal system was brought under central control; the Ministry of War Transport set up a Central Canal Committee, to advise on questions of policy affecting inland waterways, and to co-ordinate the work of six regional canal committees. Coastwise shipping was brought under Government control during the first year of war with the requisitioning of coastal liners and the control over the movement of tramps. Central control over road transport was more difficult to achieve, mainly because the large number of independent units in the industry made it administratively the most difficult to fit into a centralised scheme of war transport. After many unsuccessful attempts, a new scheme was introduced towards the end of 1942, designed to bring the whole of the long-distance traffic—that is, traffic over distances of 60 miles and more—under direct Government control; that scheme is now in operation. In sum, the Government has largely succeeded in pooling Britain's transport resources. The advantages of pooling to the nation have been very great in time of war. Its potential financial advantages to the transport interests in peace have not been overlooked by them. Collaboration has become the motto; road hauliers are busy creating a central trade organisation and the railways are reported to keep ever on the look-out for new transport acquisitions. But in peace collaboration without Government oversight means monopoly.

* * *

Montreal—The London Plan

In the event, last week's meeting of the Montreal City Council had presented to it, not one but several plans, including that of the London Committee, and the meeting was adjourned until early next month to consider these and report. The London Plan was, however, published in Canada, and should by now be in the hands of those who lent their support to the Committee. Its main points follow closely the assumptions already made public here; full interest rates to be paid until contractual maturity dates—thereafter the rate to be 3½ per cent—arrangements for repayments over the current decade, coupled with the allocation of the relevant proportion to London agents for purchases in this country, arrangements for all loans to be finally redeemed by 1977. Further, the Committee of Creditors of the City is to appoint the Director of the Budget until the debt of the City falls to \$175 a head; and the Executive Committee is to seek a formula which will give the stockholders security against excessive borrowing. These points the London Committee insists upon, subject to minor adjustments. The alternative plans have not been published, but it is believed that they contain conditions essentially similar. The differences between them and the London Plan are not such as to cost Montreal much money. London aims at rather larger payments now and reduced ones later, and it resists the Canadian desire for a funding operation for the London issues, each of which already represents a considerable block of stock. The cost of the Canadian Plan is never more than \$13,800,000 in any one year. The surplus of the City in each of the two years ended April 30, 1942 and 1943 was some \$15 million, all of which was available for debt service. There would appear to be no reason why the London Plan should not be adopted, and the London Committee expressed the hope that matters would now proceed more rapidly.

BUY 3% SAVINGS BONDS 1960 1970

- * Purchasable in multiples of £5
- * Interest paid half-yearly
- * Income Tax not deducted at source
- * May be sold quickly through your Savings Bank.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

Record Deposits

The growth in bank deposits made further headway last month, the Clearing Banks' figures, given on pages 414 and 415, showing an increase of £42,137,000 in this item, which carries the total to £3,670,008,000, a new record. The whole of this expansion is to be attributed to the banks' larger holdings of Treasury deposit receipts, this item having risen by no less than £57 million over the month. Consequently, there has been considerable contraction in other assets. The most significant of these is a fall of £11,127,000 in advances, while, in addition, bills discounted have fallen by £12,394,000 and short loans by £4,669,000. The fall in advances has probably been greater than that shown in the return because last month Martins Bank, for the first time since the 1920's, ceased to make a separate entry for "items in transit." The separation of this item had been recommended by the Cunliffe Committee in 1918, and two of the clearing banks adopted the suggestion. Lloyds Bank is now the sole clearing bank to show these figures in accordance with the Cunliffe proposal. Those items in transit, which in the main represented payments in course of clearance between branches of the bank, have, as a result of amended accountancy practice, been split up, part of the item going to cheques in course of collection, another part to advances to customers, while a further part disappears from the balance sheet altogether. This return to the pre-Cunliffe practice is to some extent a retrograde step, though it is still to be hoped that the clearing banks will find some way of achieving complete unanimity, not only in the presentation of their figures, but in the definition of the various items in their returns.

British Overseas Cottons, Ltd.

A controversy has arisen about the future of British Overseas Cottons, Limited, formed by the Board of Trade in August, 1940, at a time when foreign exchange was becoming very scarce, for the purpose of promoting the export of cotton textiles. In a memorandum issued last week, the Cotton and Rayon Merchants' Association stated that there was no political mandate for the existence of this organisation, and that it served no useful purpose that could not be performed by the industry itself. The association's policy is understood to have found support from the South American, Indian, Chinese, European and Dominions' sections of the Manchester Chamber of Commerce. The Master Spinners' Federation takes the opposite view; in a resolution passed by a large majority it suggested that, having regard to the uncertainty of trading conditions after the satisfaction of immediate post-war demands, it was desirable that BOC should continue. The agitation of the merchants is a symptom of the coming campaign for the removal of wartime controls. The future of BOC must be settled on its merits, not on the political level.

Mexico's Silver

The tangled story of silver dealings between Mexico and the United States becomes more and not less complicated as one explanation of its paradoxes follows another from Washington. The main fact in the case is that Mexico has considerably reduced its shipments of silver to the United States and threatens to stop them altogether. Testimony recently given before the US War Production Board suggests that, owing to curtailment of Mexican silver exports, the total imports of the United States will reach only 70 million ounces this year, compared with about 100 million ounces in 1942. Mexico has announced that this curtailment of exports has been made necessary by the increased demand for domestic coinage. Mexican silver is urgently needed by the United States for industrial purposes which involve the consumption of the metal in such a manner that it becomes non-recoverable; these demands cannot be satisfied by Treasury silver, which can only be used in industry provided it is in a recoverable form—for example, to replace copper in electrical wiring. Treasury silver could be made available on Lend-Lease terms to Mexico for the coinage requirements, which are now absorbing a substantial proportion of Mexico's output of newly mined metal. It would seem, therefore, that it was Washington, and not Mexico City, which took the initiative in proposing the curious transaction whereby Mexican coinage requirements would be satisfied from US Treasury silver, and American industrial needs by newly mined Mexican silver. Meanwhile, the demands for Treasury silver by American in-

dustry have reached such proportions that the War Production Board has suggested amendments to existing legislation, which would free for such purposes the silver now held as backing for silver certificates. The amount involved is about 1,000 million ounces, and it is proposed that it should be freed by amending the present legislation, which requires the Treasury to have "the ownership and possession" of such silver, into "the ownership and possession or control." Another and even simpler procedure would be the compulsory recall of the silver certificates and their replacement by Federal Reserve notes covered by gold—of which the United States has a surfeit for which no industrial uses can, unfortunately, be found. This simple solution may, however, not appeal to the silver senators, and that would be sufficient cause for choosing the more circuitous way round the obstacle which now prevents the use of this immobilised metal.

The Harvest

The corn harvest has practically all been gathered, and the general view is that it is well above the average. Farmers' labour difficulties this year have been greater than at any time since the war. Recruiting for the Women's Land Army has been suspended. The greatest blow has been that the harvest help given by the armed Forces has been smaller than in former years. Prisoners of war have filled the gap to some extent. There are now about 35,000 working on the land—probably twice the number available last year. The role of volunteers who have and are spending their holidays on the land has been of the utmost importance, and cannot be underestimated. Nevertheless, they did not come forward in sufficient numbers. Two important crops have still to be harvested; late potatoes and sugar beet. The potato crop is regarded as an "insurance" crop. In 1917, potatoes were probably the most potent factor in staving off starvation in this country. A bumper potato crop is still important. The domestic sugar ration depends upon the beet crop. Volunteers are wanted now and next month for these crops. Some counties—notably Northumberland, Northamptonshire, West Riding of Yorkshire, Monmouthshire and Hampshire—are in desperate need of labour, and the County War Agricultural Executive Committees are acting as clearing houses. The farmers have done their part, and others must help to bring in the fruits of their labour.

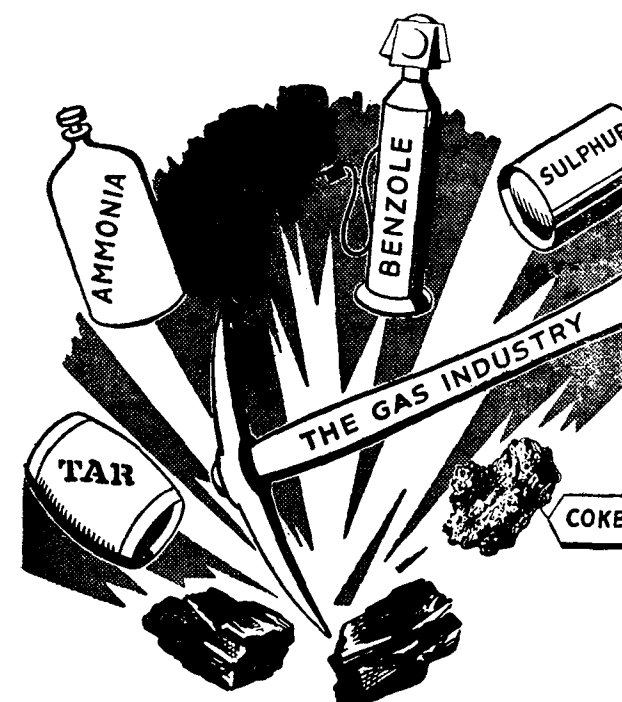
Women Ex-Cotton Operatives

The labour shortage in the cotton industry has been growing more acute for some time. When the industry was concentrated in 1941, much labour was lost, and the steadily rising demand for cotton has produced a situation where overtime working and the return of some thousands of workers to the mills has not been sufficient to reach the production targets set. The Ministry of Labour is now to register women aged 18 to 55 who have been employed in cotton for six months at any time since January 1, 1935. Each woman's case will be examined on its merits, and transfer back to the cotton industry will be made if her skill can be more usefully used there. At a later date it may become necessary to register men with experience in cotton. Women cotton workers are the fifth on the list of classes of persons who have been specially registered. The others are miners, shipbuilders, marine engineers and nurses. It is a reflection of the urgent need for their services in the production of cotton which is required for aircraft, tyres, parachutes, tarpaulins, uniforms and other war purposes, as well as for essential civilian needs.

Plastics

There can be no doubt that the materials generally known as plastics will play an important part in the production of many capital and consumers' goods. But the rate at which plastics are likely to displace other materials is often exaggerated. Sir Herbert E. Morgan, chairman of the British Homophone Company, has therefore rendered a public service when he said at the annual meeting of shareholders, on September 9th:

The past year has seen increased public interest in plastics, which many agree are destined to play an important part in the post-war world. But it cannot be too clearly emphasised

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



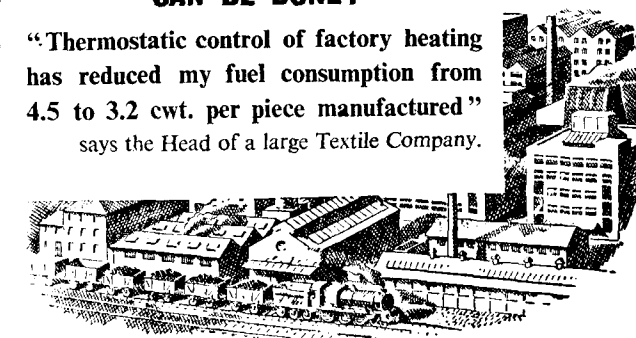
INDUSTRY MUST MAKE EVEN GREATER FUEL ECONOMIES THIS YEAR

Management is asked to take the lead

A large proportion of the fuel consumed by Industry is used for heating factories. Therefore you are urgently requested to plan now to eliminate waste from the heating of your works. The need to save fuel is even greater this year. We must not expect that the coming winter will be as mild as that of 1942.

HERE IS ONE EXAMPLE OF WHAT
CAN BE DONE:

"Thermostatic control of factory heating has reduced my fuel consumption from 4.5 to 3.2 cwt. per piece manufactured" says the Head of a large Textile Company.



MAKE CERTAIN NOW

- * that the heating system in your factory is suitably controlled.
- * that you are not blowing steam to waste that could be used to heat your factory when the cold weather comes.
- * that any new buildings you are erecting are properly insulated.
- * that your fuel watchers know how to prevent heat losses through open doors and windows.
- * that the brickwork and lagging of your boiler plant are in good repair.

If you have not already received copies of the Bulletins on Thermostatic Control, on the Insulation of Buildings and on the Maintenance of Boiler Plant, write to the Secretary of your Regional Fuel Efficiency Committee for them.

The Ministry's Regional Offices are at:

GLASGOW, NEWCASTLE, MANCHESTER, LEEDS, BIRMINGHAM, NOTTINGHAM, CAMBRIDGE, CARDIFF, BRISTOL, READING and LONDON.

ISSUED BY THE MINISTRY OF FUEL AND POWER

that while the plastic industry has many new fields open to it, plastics will only replace the use of other materials and methods when it is the best medium for the purpose. There has been much imaginative publicising of the uses of plastics, but the practical utility of many of the suggestions put forward must be doubted. Publicity such as I refer to has already inspired speculation in the shares of plastic companies, and there are indications of many new ventures in that field. From my own knowledge of the industry I would suggest that some of these shares could easily reach a price which could bear no relation to the permanent earning capacity of the companies concerned.

Sir Herbert Morgan's warning is timely. He pointed out that Britain's plastic manufacturing resources have been "greatly added to" since 1939 for war purposes. At the end of the war the problem may not be one of immediate further expansion, but of finding outlets for existing productive capacity.

Stock Exchange Statistics

The report of the Committee for General Purposes of the Stock Exchange, London, for the year to March 24th last contains clear evidence of increased activity. There is no direct measure of the number of bargains done, but the total of marks received rose by over 45 per cent and transfers certified increased by some 35 per cent, while there was a material increase in the number of forms submitted to the Bank of England under certain heads. Against these, there was an offset in the reduction of vesting orders and the printing of the new "D" declarations on the back of transfers. Having in view the further reduction in trained staff, there can, however, be no doubt that pressure of work increased further in brokers' offices during the year, and it is probable that there was some reduction in the non-essential services rendered to clients, as well as a further slowing down in completion of business, including final transfer. The year produced a number of developments of importance, and, although there was some reduction in the number of sub-committee meetings held, these reached the large total of 350. During the year permission to deal was granted in almost £911 million nominal value of new securities, producing net some £837 million of new money, compared with £672 million and £591 million, respectively, in 1941-42. Over the same period the total nominal value of securities quoted in the official and supplementary list rose from £19,577 million to £20,731 million, and the market value of the securities increased from £18,695 million to £21,510 million. It must be remembered that the period covered ended more than five months ago, that is before much of the 1943 advance in quotations had occurred. A large part of both rises was due to the issue of £1,030 million of new Government securities. The total number of securities quoted continued to decline.

Accountancy Technique

The reform of company accounts has been urged unremittingly in *The Economist* for years past, and it has, recently, become apparent that no real progress is likely until there is some agreement among accountants about the objective they have in view in the compilations they make. It is, therefore, encouraging to find in the September issue of *Accountancy* a series of notes, contributed through the Incorporated Accountants Research Committee, dealing with the future of accountancy technique. The first of these, by Mr Bertram Nelson, ends with the following sentences, which put the position clearly:

Our familiar accounting technique can be used for new purposes—in business management, in price control, in the formation of economic policy, and in national finance. But we must do some thinking first. What are the fundamental principles on which we are working? By what research methods can these principles be explored? What practical steps should be taken now?

It is to be hoped that Mr Nelson or some of his collaborators on the Research Committee have the answers to these questions ready to produce. Unfortunately, other contributions suggest that no great progress has so far been made; but it is something to find a suggestion from Mr. E. C. Burrell for the creation of a master committee, culled from the councils of the various bodies representing the profession, to develop entirely new conceptions of accountancy technique, to consider procedure, design,

the treatment of depreciation and similar matters, with the object of securing widespread adoption of recommendations made. The same writer advocates machinery for detailed research by full-time personnel and by committees appointed by the professional bodies, working in consultation with district societies. Further, he suggests similar machinery working in co-operation with trade associations to evolve uniform systems of financial and cost accounting for particular trades and industries. These suggestions seem to be on the right lines, but there is need for expeditious treatment of the problems. Further, this particular writer makes no provision for consultation with the economic expert, who may have some useful contributions to make to the problem of what the objectives of the accountant should be.

Indo-China Assets

After a gap of two years, the London attorneys of the Indo-China Steam Navigation Company have decided to make available a statement of assets and liabilities, as at the end of last year, insofar as these can be ascertained. In reading these figures it must be remembered that no account has been taken of assets and liabilities in enemy occupied countries, while those in India have been estimated, no statement having come to hand. The position disclosed is compared with that at the end of 1939 and 1940, but the figures are not strictly comparable. In particular the fleet valuation in 1942 is subject to certain compensation payments still to be agreed, while the item special repairs and underwriting account for that year also includes some unascertained liabilities and other contingencies.

	Years ended December 31st,		
	1939	1940	1942
Net valuation of fleet†	940,000	949,000	376,552
Net liquid assets	Dr. 153,226	Dr. 17,034	1,083,382
Special repairs, etc., and underwriting a/c.	51,137	52,584	197,897
SURPLUS	735,637	905,450	1,262,037
Prof. capital and div. arrears	426,465	381,835	411,589
Net surplus per defd. share of £5	6.234	10.559	17.150
† Subject to mortgage to secure £150,000 Floating Staff Pensions.			

As the preferred ordinary shares of £5 now contain almost 12 years' arrears of 6 per cent dividend, they would seem to be worth about 136s., whereas their price is 126s. 3d. This suggests that the basic yield on this share of 6 per cent is considered insufficient. Meanwhile, the £5 deferred ordinary stand at 13½ after touching 16. Only those who believe that share quotations should be based on break-up value will consider this reasonable. In the absence of any indication of profits, it is far from certain that the whole of the arrears of preferred dividend will be paid off in the near future. The very sharp rise in liquid assets and the fact that gross assets are up by some £517,000 to over £1,665,000 on the two years to end 1942 suggest that funds may be available and that assets were grossly undervalued in the past.

Argentine Railway Mission

So far as can be ascertained, the decision of the British-owned Argentine railways to send a joint mission to discuss the position with the new Government of Argentina originated with the companies. It was preceded by an interchange of directors between the companies, so that it looks as though the process of tightening up the relations between them was being carried much further than seemed probable only a few years ago. This is in itself a step forward, although it is not clear that it is likely to have any marked effect on the outcome of the negotiations. What prospects are there that the new joint representatives will meet a more favourable reception from the present Government than did the repeated representations of the individual concerns from the old? The resistance to the railways' demands rested, in the past, in part on economic considerations and in part on those of a political nature. Developments in the war years have put Argentina in possession of increased quantities of foreign exchange, but mainly because it has been unable to import what it requires. Argentina will need after the war trade outlets and, possibly, long-term loans. It is already beginning

to find that there are inconveniences about its present state of virtual isolation; but it would be optimistic to suppose that, because it may feel compelled to associate with America, it will be kindly disposed towards British capital. There can be no doubt, however, that the statesmanlike approach to the problem lies along the lines of making a reasonable settlement with the railways. What is reasonable includes a decision about what part rail transport is to play in the future development of the country as well as a recognition of past services. It cannot be doubted that the future part should be large or that more capital will be needed. What Argentina should not be allowed to do with impunity is to bring the companies to the verge of bankruptcy and then to buy them up for a song, relying on being able to raise capital elsewhere for their development.

Italy and Quicksilver

Italy is one of the poorest industrial countries; its conquest by the Allies would involve the shipment of considerable quantities of a number of important commodities, such as coal, to meet urgent military and civilian needs. With the important exception of quicksilver, Italy's surplus commodities, which could be utilised by Allied war industries, are few in number, Italy is the world's largest producer of quicksilver. But the two important producing centres are both in the North of Italy; the one, the Monte-Amiata area, is in Southern Tuscany, and the other, the Idria district, is north of Trieste, near the Austrian frontier. In normal times the former district supplied two-thirds, and the latter the bulk of the remainder of Italy's output, which, owing to the restrictive policy of the Italo-Spanish mercury cartel, has fluctuated widely during the past decade. In 1935 it was little more than 28,000 flasks of 76 lbs., but it amounted to 67,154 flasks in 1939, and has been in excess of 70,000 flasks since the country's entry into the war. The loss of Italian supplies was inconvenient to the United Nations, but difficulties have been largely overcome by the steep rise since 1940 in the production of the United States and Mexico, and by the development of mercury deposits in Canada. To-day the United Nations together probably produce more quicksilver than Italy; moreover, as Spain, in normal times the second largest producing country, has not been entirely cut off, the Allied supply position is now much better than it appeared possible three years ago. But as quicksilver is used in very large quantities for a number of vital war purposes, such as anti-fouling marine paint for both war and merchant ships, scientific instruments, electrical equipment and pharmaceutical products, any additional supplies would be welcome.

Allied Meat Purchases

Early this year the Combined Food Board adopted a meat-pooling plan (discussed on page 277 of *The Economist* of February 27, 1943), by which the British Ministry of Food became the sole buyer of meat and meat products for the United Nations in Argentina and the smaller South American meat exporting countries. As it had done before in the case of tea, the Board thus utilised the efficient trading organisation set up by the Ministry of Food earlier in the war to secure supplies for the United Kingdom. Meanwhile, meat shipments from Argentina have been proceeding normally, and allocations to the members of the United Nations have been made regularly by the Combined Food Board. So far, however, the various Allied Governments did not know what they would eventually have to pay for their meat. This uncertainty has now been removed. On August 21st the Ministry of Food announced that it has completed its buying agreements, on behalf of the Combined Food Board, with the representatives of Argentina. The agreement refers to "the exportable surplus of Argentine meat for the two years ending September 30, 1944." The official announcement adds that during the past season shipments have been proceeding in anticipation of the settlement of terms. It does not give these terms, but Smithfield traders believe that there have been certain price increases, although the bulk of these increases appears to represent higher costs. The contract placed is estimated to exceed 1,500,000 tons of meat, the largest quantity ever bought in any area of the world under a single contract. The new agreement includes fresh meat, as well as frozen, canned and dried meats. It is expected that this huge order will have a stimulating effect on Argentine live-stock breeding over the next few years. Such a development is important not only from the viewpoint of Allied war supplies, but also

from that of Europe's post-war supplies. Last year an inter-Allied committee of livestock experts prepared a study, which stated that in view of the forced slaughters by the Nazis, it will take five to six years to restore the livestock herds of Europe to their pre-war level. In the meantime Europe will need more imported meat than ever before, and this meat can only come from South America. When, in February last, the Combined Food Board announced its meat pooling plan it stated that the Ministry of Food's purchases would be spread over Argentina, Brazil, Paraguay and Uruguay. It is understood that agreement with the smaller South American meat exporting countries has now been reached on a basis similar to that with Argentina.

Farm Book-keeping

In the keeping of accounts small farmers have lagged behind other industries and trades. It may be partly due to this that farmers have been notorious grumblers; because they had no figures of profits it was difficult for them to know whether they had made any. In order to help the small farmer to begin and maintain records of his business, which he now requires in the preparation of his income tax returns, the Ministry of Agriculture, in collaboration with the Department of Inland Revenue, has issued a booklet (*Farm Book-keeping*, HM Stationery Office, 3d. net), which deals with farm book-keeping in the most simple and detailed terms. In the introduction, it points out that the keeping of records helps the farmer to manage his farm efficiently, and shows him how the various operations compare in outlay and in receipts. Correct income tax assessments can only be made on the basis of accurate book-keeping. The day-to-day work of book-keeping can be done by the farmer in the course of the ordinary transactions on the farm, using a minimum number of books. If accurate accounts had been kept, farming costs would have been known, and it might have been possible to fix farm prices at a lower level, granting subsidies, where desirable, to high-cost farmers.

Australian Wool Clips

The production of wool in Australia and New Zealand has been maintained during the 1942-43 season. Here are the figures of output and value for the last two seasons, as given by Messrs Dalgely and Company, Ltd.:—

	1941-42		1942-43	
	Output* (Million lbs.)	Value† (£'s)	Output* (Million lbs.)	Value† (£'s)
Australia	1,108	63.1	1,120	74.1
New Zealand	336	18.2	331	19.9
Total	1,444	81.3	1,451	94.0

* Estimated output. † Based on Appraisements.

The value of the two clips in 1942-43 approaches £100 million, due to the upward adjustment of prices. Owing to shipping difficulties, much of the wool—it is not known how much—has had to be stored in the producing countries. But these stocks constitute a valuable reserve for replenishing shrunken wardrobes after the war.

Correction

In a Note entitled "Four Years of War" on page 342 of *The Economist* on September 4th, Government expenditure was analysed in three tables. By an unfortunate printers' error, the first and third tables were headed "£ millions" instead of "£ thousands."

(For Company Results see page 412)

**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.

COMPANY MEETINGS

THE BURMAH OIL COMPANY, LIMITED

OUTLOOK FOR THE PROPERTIES

MR. ROBERT I. WATSON'S STATEMENT

The forty-first annual general meeting of the members of the Burmah Oil Company, Limited, was held on the 10th instant, in the Merchants' Hall, 30, George Square, Glasgow.

Mr Robert I. Watson, chairman and managing director, presided.

The following statement by the chairman was circulated with the directors' report and accounts:—

To Sir John Cargill in his retirement you will wish me to send our best wishes for his speedy return to better health, together with our grateful thanks for the fine and long service he has given us. Any reminder of his achievements during his 38 years' occupancy of the chair since he succeeded his father only two years after the company's incorporation in 1902 would really be an act of supererogation; and no tribute could enhance the record of these permanently enshrined in the fine balance-sheets he has himself consistently submitted year after year throughout this long period. From them one can trace how, under his leadership, the company's Burma production steadily and soundly expanded, each step in development being thoroughly consolidated before taking the next, from a volume barely sufficient to meet the small domestic demand of Burma to one supported by an intensive distributing organisation serving the larger part of the requirements of India itself.

Keeping in the van of every scientific and technical advance in the practices of searching for, drilling, producing, transporting, refining and marketing petroleum, and ploughing back surplus revenues into these activities in Burma and India, and into associated activities elsewhere, the company has not only played an outstanding part in the development of the petroleum deposits of Burma and India but has contributed not a little to the development of those greater ones of the Middle East, and, by these and other means, has secured an interest in production and markets world-wide in range.

The deeply regretted death of Mr H. S. Ashton has deprived us of a good friend on whose varied business experience we have been able to draw freely and with much advantage over many years.

THE PROPERTIES

After referring to the complete "denial" to the enemy of the properties in Burma, the chairman in his statement last year continued:—

"While our Burma subsidiary companies naturally look for restoration of their assets lost under 'Denial,' one cannot say when this may be or the conditions to which they will return. It is imperative, therefore, that we should all understand that, even assuming the best priority in respect of manufacture and shipment of the plant and equipment necessary (and we are closely engaged on the study of all this now), rehabilitation to pre-Denial stature, if that is found practicable at all, can only be gradual and may extend over a considerable time. The unhappy fact must therefore be faced that, savings in depreciation, wages, and in other ways notwithstanding and even allowing for the fact that over the next two years, and masking the stabilised position which will later be realised, there should be something coming to them from closing off and bringing into their trading returns unsold stocks held by them outside Burma together with taxation and/or other balances, trading profits will be confined to what oil products purchased for the steeply rationed outlet available to them in India may yield and must thus inevitably show a heavy decline on past experience which will continue until rehabilitation is possible and is gradually

completed to its maximum economic potential."

THE ACCOUNTS

Into the accounts for 1942 now before you the stocks and unclosed balances then referred to have been so effectively swept that figures for 1943 to which it was felt they might extend will no longer continue to mask the fact that the subsidiary companies engaged in production pipe line operating and refining in Burma are presently out of business and that the Burma Trading Subsidiary and the India Trading Subsidiary are meantime reduced to such profits as can be made on purchased oils and these cannot be expected to approach those secured from our own production.

While, therefore, with these 1942 accounts we have been able to close a chapter in a manner well in the character of their 40 predecessors, I must again emphasise that, until the fruits of our enterprise in Burma presently denied us through no fault of our own are once more being enjoyed, trading profits will show a steep decline from the level to which we have been accustomed and it would be too much to expect that interest and dividends from our investments can expand to make good the difference and too early to hazard any guess as to what may ultimately be freed to us as no longer required out of the taxation on profits fully provided for up to and including 1942.

PROPERTIES REPLACEMENT CLAIMS

While in various ways the book value of our Burma losses was reserved against last year, this purely "book-keeping" operation was entirely unrelated either to cost of replacement or to any liability on us for such cost. Despite, then, the claim that we have for replacement cost on the authorities instructing the destruction of these properties, the validity of which would seem as unquestionable as it has been unquestioned, it would have been not merely contrary to our own traditions in finance but, in the circumstances of today, unsound had the board not retained in the company's treasury at least that portion of the profits which has been allocated to general reserve.

While these very substantial amounts placed last year, and again now to general reserve have in no way prejudiced stockholders, they have automatically reduced what employees would have received through the provident and profit sharing funds had the excess of these allocations over normal been distributed in dividend. For, subject to certain prescribed conditions, member-employees receive credits in these funds calculated on their salaries at the rate of the ordinary stock dividend, and thus in this period employees, who have deserved particularly well not only of the company but, for the part they played in "Denial," also of the Allied cause, have been deprived of the degree of participation in profits they might ordinarily have been justified in expecting. In the circumstances, your board have felt it would be stockholders' desire to correct this and have set aside out of the 1942 figures a sum calculated to make up, as far as possible, by way of a bonus, what these employees would have got through these funds had these abnormal allocations not been made to general reserve but been declared as dividends.

THE DIVIDEND

The second interim dividend of 10 per cent., less tax, declared on July 29th, is being paid on September 3rd, and the board's recommendation is that this be

the final, making 12½ per cent., less tax, for the year. The residue balance to be carried forward at £335,034 represents an increase of £83,114 on the amount carried forward in 1941.

For the moment Burma remains in enemy hands. But nothing seen or heard by us suggests that "denial" of its petroleum resources and of equipment for its production and handling was other than of the effective order claimed at the time. It would be quite unfair to the men who so ruthlessly and at great personal risk carried it out, and besides would be quite erroneous to conclude that Allied bombings since reported reflect in any way on the thoroughness with which the job was done.

WAR SERVICE OF STAFF

It is with great regret that I have to report the addition of a further seven fatal casualties from acts of war to the six intimated last year among our employees. These were again men of U.K. origin, but with one exception, normally serving with us in the East. Four more of this category have been reported prisoners of war. Of some 9,800 Indians in our employment in Burma 7,200 had been contacted in India at the end of June, but, unhappily, 72 of these had died since reaching India, and reported deaths of a further 185 were then still being investigated. It is hoped that we may yet have reassuring news both of some of these and of most of the 2,600 uncontacted at that date. Practically all our Burmese employees having remained in Burma, we have no news of their welfare.

Among further "mentions" and decorations given employees of the company since those reported last year there have been a civil C.B.E. to Mr Roper, our general manager in the East, a military C.B.E. to Colonel W. E. V. Abraham, and a civil O.B.E. to Mr Marr Grieve, our superintending engineer in the Burma Fields.

I feel you would wish me to place on record here our appreciation of the contributions by our own employees East and West, and sailing our tankers so gallantly on the seas, as well as by those of our associated company, Burmah-Shell, in the satisfactory trading results embodied in the accounts now being disposed of and so also to our good friends, the Anglo-Iranian Oil Company, Limited, and Shell Transport and Trading Company, Limited, for what they particularly have contributed to our investments.

THE OUTLOOK

While plans for our rehabilitation in due Burma, when we get back there in due course, are now well advanced on paper, stockholders can make as good a guess as I meantime as to when, and to what extent, their application will be possible or desirable. In the period of interregnum expectable in the period of interregnum expectable of dividends should be put no higher than the potentialities, as I have again felt it desirable to stress these, of the less fruitful sources from which alone they can come.

The report and accounts were unanimously adopted.

The second interim dividend of 10 per cent. (2s. per £1 unit) paid on September 3, 1943, was confirmed as the final dividend on the ordinary stock for the year 1942.

Sir William Fraser, C.B.E., and Colonel Hugh B. Spens, D.S.O., the directors retiring by rotation, were unanimously re-elected, and the auditors, Messrs Brown, Fleming and Murray, were reappointed for the current 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*, to Brettenham House, Lancaster Place, W.C.2.

TELEPHONE RENTALS, LIMITED

RESTRICTIONS ON ESSENTIAL ACTIVITIES

MR FRED JACKSON'S VIEWS

The fourteenth annual general meeting of Telephone Rentals, Limited, was held on the 13th instant, in London.

Mr Fred T. Jackson (chairman and joint managing director) presided, and in the course of his speech said: From the profit and loss account it will be seen that the dividends from the subsidiary operating companies amount to £136,600 compared with £133,820 for the similar period last year. This gives a slight increase of some £2,780, and whilst on this subject I am happy to tell you that all British subsidiary companies have traded at a profit during their respective financial years.

The net result of our trading operations is that we have a profit of £137,756, which compares with £134,085 for the preceding year, showing an increase of £3,671. The total of the credit which we have for disposal is £171,436. Of this sum national taxation absorbs £92,793, which is a slight increase over that of the preceding year, and we have transferred to our general reserve account the sum of £5,000, which compares with a provision last year of £10,000.

We have already distributed an interim dividend of 4 per cent., less income-tax, and it is proposed to pay a final dividend of 6 per cent., which dividends together absorb the sum of £40,832, leaving to be carried forward to the ensuing year the sum of £32,811, which shows a slight reduction of some £869 as compared with that brought in from the previous year.

LICENCE REGULATIONS

The year under review, 1942, would, I think, have been a record year, except that we have great difficulties as it is now necessary for any firm requiring one of our telephone installations to obtain a licence from the Board of Trade. On this point I shall have a great deal to say later on, but according to our experience up to date, very few licences are being granted; it therefore follows that the new business in

telematic installations will be small compared with the business we have done in past years.

This will not affect your company adversely for some years, as we shall still be able to earn profits comparable with the results for the year under review. This is capable of a simple explanation; with the falling off in new business there is naturally a corresponding reduction in overhead expenses, and we have dispensed with the services of our salesmen.

It is interesting to recall the remarks I made at our last annual general meeting to the effect that our telematic and chromomatic services were a very important contribution to the national effort, and that in the times through which we were passing the combination of speed and elimination of waste in production is so vital. It is, in fact, an axiom that if you can save time you can save man-power, which, according to my experience in the manufacturing industry, is scarcer even than raw material.

BUREAUCRATIC CONTROL CRITICISED

I now come back to my earlier remarks on the Board of Trade licence and I preface this with the statement that no ignorance is so complete as the ignorance flowing from a Civil Service which refuses to learn. Unless we realise our shortcomings we cannot learn or progress. I have here an extraordinary story to tell, and I tell it because I feel that the time has arrived when someone should voice opposition to the ignorance and bureaucratic control which is imposed on our business by the Board of Trade.

When the Board of Trade Order was put into force for the licensing of internal telephone installations, I, with my colleague, Mr Philcox, had interviews with the particular director for this section, and pointed out to him the necessity for having quick methods of communication in factories and other business organisations, which was more important than ever in these days when man and woman power are so scarce. I placed before the Board of Trade hundreds of letters, all from leading firms in this country, stating that it was impossible for them to carry on their business efficiently without the aid of our service. This was testimony from

existing subscribers. From all the effort it had, I can only come to the conclusion that the director concerned did not take it trouble to read the letters as they were returned to us without any comment.

I then suggested to the Board of Trade as they still did not appear to recognise the importance of this business in view of the shortage of manpower, that they should at any time come down to our head office and select, entirely on their own account a list of names of our subscribers for their representative to visit in order to obtain the opinion of such subscribers as to the value of our installations. The reply to this suggestion was that they might avail themselves of the offer. This was more than four months ago. Nothing has been done.

CONTRIBUTION TO WAR EFFORT

I would emphasise that my objection to the attitude of the Board of Trade is not influenced at all by the desire to increase our business, but solely because we consider that in continuing to instal installations for firm engaged on 100 per cent. war work we are making a valuable contribution to the war effort. As a matter of fact, long before the Board of Trade licensing system was instituted we refused to carry out installations for firms who could not satisfy us that they were engaged primarily on war work, as we fully realised the importance of the conservation of all raw materials and labour; but as a matter of interest the equipment purchased by your company from a firm of large telephone manufacturers during the year before the present licensing arrangements were introduced represented .08 per cent. of their annual output.

I suggest that as every shareholder will get a copy of this address he or she should send it to their local M.P. This will ensure some action being taken to alleviate the shortage of manpower in this national emergency. We are able to prove that the statements made are correct. They are made in the interest of the war effort, and not to make increased profits. A practical demonstration can be given in a large factory in London to any group of M.P.s sufficiently interested to take this matter up.

The report and accounts were adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Sept. 9	6,999	4,195	105.4	133.0
" 10	6,016	3,882	105.5	133.2
" 13	6,831	4,544	105.5	133.2
" 14	6,128	3,800	105.3	133.2
" 15	5,358	3,695	105.2	133.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 105.5 (Sept. 13); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

(WEEKLY AVERAGES) (1935-36=100)

	1943		Aug. 25, 1943	Sept. 1, 1943	Sept. 8, 1943
	Low Jan. 5	High July 13			
37 Industrials	81.1	103.5	93.7	96.6	96.3
32 Rails	72.6	99.9	95.5	91.3	88.6
40 Utilities	67.9	89.6a	89.6	87.2	87.4
319 Stocks	78.5	100.9	85.7	94.8	94.5
Av. yield %	5.36	4.35	4.71	4.68	4.70

* 50 Common Stocks.

(a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Sept. 2	117.2	490,000	Sept. 6	117.2	346,000
" 3	116.9	398,000	" 7	116.5	346,000
" 4	117.0	174,000†	" 8		758,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending September 18, 1943	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 413.			
Year†		Including Conversions	Excluding Conversions
1943		1,277,965,577	1,258,338,504
1942		1,105,590,220	1,090,869,472

Destination*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943	1,255,113,984	2,585,843	638,677	1,247,799,911	1,652,701	8,885,892
1942	1,090,465,010	349,273	55,190	1,083,921,536	930,742	6,017,194

* Conversions Excluded. † Includes Government issues to September 7, 1943, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

Onions.—The onion crop is larger than was expected, and as a result retailers will be able to supply 2 lb. per ration book, instead of 1 lb. as previously announced.

Reconditioned Battledress.—Reconditioned battledress and canvas gaiters are available for purchase by workers engaged on home-grown timber production on presentation of a certificate to ordinary retailers in rural areas who deal in agricultural

* September 5, 1942, and September 4, 1943.

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 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 ... £2,000,000
Reserve Liability of Proprietors under the Charter ... £2,500,000

£12,500,000

Court of Directors:

D. F. ANDERSON, Esq. HON. GEOFFREY C. GIBBS.
J. F. G. GILLIAT, Esq. EDMUND GODWARD, Esq.
C. G. HAMILTON, Esq.
F. V. C. LIVINGSTONE-LEARMONTH, Esq., D.S.O.
DAVID J. ROBERTS, Esq.
SIR JOHN SANDERSON, K.B.E.
ARTHUR WHITWORTH, Esq.

HEAD OFFICE: 4 Threadneedle Street, London, E.C.2.
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)

Company requiring investment in ships Mortgages invites applications from accountants. Write Box 119, THE ECONOMIST, Brettenham House, Lancaster Place, W.C.2.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portland St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, London, W.C.2 - Saturday, September 18, 1943.

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 EASTERN BANK LIMITED

The TRANSFER BOOKS will be CLOSED from the 2nd September to the 2nd October, 1943, both days inclusive.
By Order of the Board,

C. L. MANNING, Secretary

Crosby Square, Bishopsgate, London, E.C.3.
13th September, 1943.

A large and influential organisation, controlling a number of production units at home and overseas, is seeking an outstanding business man to become a senior executive, leading to managing directorship. The man sought must have held position of heavy responsibility, and used to earning big money. While a knowledge of engineering is of value it is of minor importance compared to the ability to win and hold co-operation from the staff. He should have had practical and successful experience in up-to-date large-scale industrial administration of its widest conception. All applications will go direct to the Chairman of the organisation and strictest confidence will be maintained.—Write Box 189, THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months - - - - - 10 0 0
6 Months - - - - - 5 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 Bar 3316

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5222

REGISTERED AS
A NEWSPAPER

SEPTEMBER 25, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Grasping the Nettle - - - - -	418	Pay-as-You-Earn - - - - -	422
The Last Lap - - - - -	420	Russia's Tasks - - - - -	430
Local Authority Finance - - - - -	421	Scotland's Industries - - - - -	435

NOTES OF THE WEEK - - - - - 423

Amphibious Operations; The Italian Delays; The Margin of Opportunity; Pacific Offensive; Labour Unrest; The Vatican Encircled; The Archbishop's Visit; Soldier and Philosopher; Famine in India; The BMA Meets; Food, Health and Income; Friendly Societies; Shorter Notes.

AMERICAN SURVEY - - - - - 427

From Concentration to Monopoly?; The President's Lead; The House Resolves; Budgeting Manpower; An Economic Foreign Policy.

THE WORLD OVERSEAS - - - - - 430

Russia's Triumphs and Tribulations; Controls in Canada; Roumanian Harvest; Portugal's Foreign Trade.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

THE BUSINESS WORLD

BUSINESS NOTES - - - - - 436

Dear Money Spectre; Speculation Once More; Road Hauliers Combine; Argentine Debt Repatriation; Future Policy; The China Gold Incident; Gaumont - British Accounts; Internal Telephones; Distributive Trades Manpower; Coal Bonus Scheme; Scottish Coal Output; Unilever Preliminary; Faith in Gold; The London Metal Exchange; Training Engineers; Diamond Production; Company Results.

COMPANY MEETINGS - - - - - 442

RECORDS AND STATISTICS - - - - - 443

The Chancellor of the Exchequer

SELDOM, if ever, has the death of a Minister of the Crown come so suddenly and so unexpectedly as that of Sir Kingsley Wood, who died on Tuesday of heart failure. His death follows swiftly the death of Mr Reginald McKenna; and there could be no better tribute to the sagacity of the late Chancellor of the Exchequer than the fact that, before their deaths, he had all but caught up his senior by his official acceptance of the true heterodoxies of public finance. Starting at the Exchequer in 1940, from the premise of "sound" and conventional budgeting, Sir Kingsley Wood was the Chancellor in office when this country crossed into the land of promise where the nation's real resources, and not its money, become the basis of public economics. His adviser was Lord Keynes himself, the *fidus Achates* of Mr McKenna in an earlier generation and another war—and, it must be admitted, in a less adventurous fashion of economic reasoning.

Sir Kingsley Wood was a good Conservative in every sense; but he was no Bourbon. In political allegiance and foreign policy, as well as in matters of finance, he was ready to learn. It is a mere three weeks since, hale and urbane as ever to those who saw and heard him, he told the guests at *The Economist's* centenary luncheon that he was always thankful for "faithful and salutary guidance." A solicitor skilled in the law of social administration, he came to the Exchequer after a long, industrious and varied political apprenticeship; Parlia-

mentary Secretary, successively, to the Ministry of Health and the Board of Education in Conservative Ministries between 1919 and 1931; Postmaster-General from 1931 to 1935; Minister of Health from 1935 to 1938; Secretary of State for Air until 1940, when the foundations were laid for the Battle of Britain; and then Chancellor under Mr Churchill. He was not quick to see the contrast between the nation's power to produce and the formal tallies of £ s d required by old-style budgets; he could not shake himself entirely free from the faults of under-estimation and narrow monetary reckoning that for so long impeded the total mobilisation of the nation for war. But he listened with his native shrewdness to broader and more farsighted counsel. Of his Budget in April, 1941, *The Economist* said: "For the first time, a Chancellor has quite deliberately thrust the book-keeping aspects of his task—the summation of revenue and expenditure—into a corner of his speech, and devoted himself to a survey of the financial problem of the war economy as a whole." It was "the first real War Budget"; and the annual White Paper on the sources of war finance and the size and distribution of the national income, which made its first appearance then, is a lasting tribute to the political sense of Sir Kingsley Wood as well as to the genius of his advisers. The pay-as-you-earn plan for wage earners' income tax (described on page 422) is a posthumous proof of how open he was to conviction.

This is no time to speak more than briefly of his likely successor. Yet, gaps in the ranks in wartime must be speedily filled. To be Chancellor of the Exchequer in a wartime coalition does not carry with it, as it has done in peacetime, the reversion to the highest post at the Treasury, First Lord and Prime Minister; but peace is not indefinitely distant. Mr Eden is next in line; but he cannot easily put down his critical responsibility for the future of world affairs. What the qualities should be of a modern-style Chancellor has not yet been decided. Is he to remain, ostensibly, a mere Government book-keeper, or is he to be recognised as chief auditor of the community's business? If search is made among Ministers of first rank, and if the Chancellorship is to be raised again to the highest Cabinet status, with surveillance over the National Economy instead of simply the National Exchequer, the choice might reasonably be the Home Secretary, who has stated the right approach to present-day economic policy in many well-timed and well-drafted speeches. If a temporary politician is eligible, the Minister of Production will be considered closely, despite the failure of his Ministry to fulfil all its first promise of drive and direction in war manufacture. The Lord President of the Council probably carries too much weight in the wings to become a leading player.

If the choice is confined to politicians of the late Chancellor's own party, as it may be, a new Richmond may be brought into the political field. The queue of junior candidates for third place in the Conservative hierarchy, after Mr Eden, is lengthy—Mr Hudson, Mr Butler and Mr W. S. Morrison, all three of them favoured lately by the political pundits; Colonel Stanley, who is climbing up again in his party, and Captain Crookshank, whose claim is possibly the clearest cut of all; Mr Assheton, who is a first-rate Financial Secretary to the Treasury, and, at the Prime Minister's own right hand, Mr Bracken; and, junior still in spirit, Mr Amery. None certainly, of either these or the bigger names, could better Sir Kingsley Wood in the qualities Bagehot praised in Sir George Cornwall Lewis when he wrote:

Enterprise neither seemed to be nor was his forte, and bold men thought him rather tame. . . . He was a safe man, a fair man and an unselfish man. He had a faculty of "patient labour" which, as he himself remarked, was as sure to be appreciated when Englishmen meet together to transact business, as wit or eloquence; and, therefore, it was that he had great influence in the House of Commons; and, therefore it was that he rose rapidly.

Grasping the Nettle

WHEN Parliament reassembled this week, both the Prime Minister and Mr Eden gave a heartening account of the relations between Russia, America and Britain. The Prime Minister announced that a joint Anglo-Russian-American Commission had been established to survey Mediterranean problems, that Mr Eden would shortly head a delegation to a conference of the Foreign Secretaries of the Three Powers and that this conference would in its turn be preparatory to a meeting "before the end of the year" between Marshal Stalin, President Roosevelt and the Prime Minister.

This news is the more encouraging since it comes at a time of victory—the Russian victory on the Desna, the Anglo-American victory before Salerno. The survival of a victorious coalition into the strenuous days of peace is rare in history. Mr Churchill's good news gives reason to hope that this war may not see a disastrous repetition of the end of so many other wars—the disintegration almost on the battlefield itself of the effective power which made victory possible and could alone lay the secure foundations of the peace.

There is indeed no good reason why the coalition should disintegrate. As Mr Eden put it: "Our interests do not clash and all our interests are in peace." The search for prosperity is as great a bond. The Three Powers need each other's economic assistance. The horrifying scale of devastation in Russia is analysed on another page. The need there is obvious; but the need of the United States and the British Commonwealth, if less obvious, is no less real. Their industrial systems are geared to world prosperity, and anything that impairs the consuming power and economic vitality of other nations directly affects the prosperity of their own.

If this coincidence of political and economic interest—in peace and prosperity—can be made the cornerstone of postwar policy, then there is some hope of banishing war for at least as long a span as, say, the nineteenth century's peaceful years. The conditions would be similar. The peace of the nineteenth century was a peace based on the predominance of the British navy. Peace might be secured for the second half of the twentieth century if another effective and pacific instrument of power were to be made the core of international organisation. A tripartite agreement or alliance could provide such an instrument. Indeed only the co-operation of the three Great Powers can provide a stable basis for peace, for modern industrial technique has given them, together, an overwhelming predominance of world power.

Unhappily this preponderance of power which could be the best guarantee of peace is in itself a potential source of conflict. The real obstacle to British, American and Russian understanding is still fear, fear lest either side should use its military force to attack the other. Distrust breeds wars as well as ambition; and where, as is the case between Russia and the West, differences in ideology and all the misunderstanding bred of totally different historical traditions reinforce the more elemental fear felt by nations for any other powerful group, distrust becomes the major obstacle to a peaceful settlement. Mr Eden is alive to this. "There has been too much past history of misunderstanding," he told the Commons and agreed "that there can be no co-operation if it is not based on confidence." But he was right to remind them "that confidence cannot be created by one side alone" and that "if we are to understand one another, we must be frank with one another." Frankness demands that in the forthcoming conferences the highest priority should go to the matters which are likely to divide the nations most. The Foreign Secretaries and the Heads of State must go through a stiff course of nettle grasping in the next few months.

It is obvious that distrust must operate most freely in a no-man's-land. Where there are no roads and boundaries and neighbours' landmarks, any movement begins to look like an encroachment, and on each side of the debatable land the Great Powers perpetually peer through the darkness for a glimpse of advancing raiding parties. One of the first necessities in banishing fear is to put an end to no-man's-lands. These are, broadly speaking, the independent peripheries of Great States, the areas in which the pressure and counter-pressure of rival powers make themselves felt, the areas, therefore, in which all the great wars of history have had their origin. Before the last war, the Balkans, lying between Germany and Russia, were such a no-man's-land. Between the rise of Hitler and the outbreak of this war, Central Europe was the field of action and counteraction. With Germany defeated, and Britain, America and Russia in sole control of effective power, the new peripheries will lie between these three Powers, and the test of banishing fear, of securing, not an uneasy balance disintegrating into hostility, but a firm core of pacific power, will be the policy they adopt towards the areas lying between their separate sovereignties. Of all these areas, Europe presents the most difficult and most immediate problems.

Now it is true of Europe, as of all the other small

power groupings—South-East Asia, the Middle East, the Caribbean—that there are only two alternative possibilities of organisation. One is the method of the sphere of influence, which divides. The other is some type of regional organisation, which can unite. The first of these alternatives will prevail if the Great Powers fail to reach agreement. Each Power will attempt to build up an outer glacis of semi-dependent states—the question to which Germany would belong might well give the Germans a lever for restoring their nation speedily to effective strength—and, as always, what begins as a defensive glacis would end as an offensive springboard.

The Three Power Conference must therefore concentrate on the search for some kind of autonomous regional framework for Europe. Naturally, this does not mean the abolition of separate state sovereignty. No state is ready for such a sacrifice. It rather means the conscious pursuit of joint as opposed to separatist policies and the creation wherever possible of joint institutions to express those policies. Such an approach entails a very wide range of detailed decisions in the political and economic sphere. The first of the political problems is, Europe's frontiers. To the north, west and south they are fixed by the sea. Eastern Europe is the debatable ground. In the key position—that of Poland—there is no absolute juridical line which can be objectively established. What can be established is the principle of negotiated, not unilateral, change. If there are no concessions to generosity from the Russian side, or to realism from the Polish, the attempt at a peace settlement will fail at this, the first obstacle. The consequences for all the parties would be equally disastrous, and it is the special responsibility of British and American diplomacy to keep the perspective of the wider consequences of failure firmly before the disputants. The future frontiers of Germany demand another series of firm joint decisions, and behind these frontier problems lies another political puzzle which has much to do with the kind of settlement envisaged by the Allies. To what extent will a change of regime in the aggressor nations be taken to absolve them from the consequences of their crimes? Mr Churchill has spoken of "self-redemption" with regard to Italy, and has hinted that the satellite Powers may be permitted "to work their passage home." The formation of a German officers' union in Russia together with the existence of the German National Committee—both appealing to the Germans to help end Nazi tyranny—points to the same kind of problem. And this problem, again, is linked with the wider question of the types of government in Europe to which the three Powers will accord recognition. What exactly do the Russians mean by "the liquidation of fascism"? What do the State Department and the Foreign Office mean by it? The association of Russia with Amgot, in itself a highly desirable move, will lead to great confusion unless the presuppositions of its working are agreed on in advance.

At the political level, the three Great Powers should provide the framework of world-wide military security within which Europe and other national groupings can build up their regional institutions and interests. The economic structure is analogous. The aim of the Great Powers should be, by their investment policy, their currency plans, their encouragement of international trade, to provide a general framework of world prosperity—expanding markets and rising living standards. It is only natural that these plans should so far have been discussed between the United States and the British Commonwealth, for their Russian partner must in the immediate post-war period at least be a beneficiary rather than an active agent in the restoration and expansion of world living standards. Even so, the time has come to associate Russia with the talks which British and American Treasury officials are conducting in Washington.

At the regional level in Europe, the various agencies which will presumably be set up under the United Nations Relief and Rehabilitation Administration can become the growing points of such regional services as transport, public utilities, public health; the "scrambling" of European industry under the Nazis can be used to maintain a number of key points—certain heavy industries perhaps—under some form of internationally responsible control; finally, the investment policy of the Great Powers should be used wherever possible to initiate development projects—hydroelectric schemes, trunk roads, land reclamation—which cross national frontiers. On the degree of "mixing up" in Europe that can be achieved at the functional level depends the hope of taking the economic sting out of national frontiers, creating common interests for the new generation of scientists and technicians and administrators and, most important of all, of finding some way of allowing the defeated nations their chance of economic prosperity without thereby restoring their military hegemony.

The agenda for the discussions is long. It could hardly be otherwise. A peaceful co-operative world order cannot be built on a few chance coincidences of interest. It is a matter of hard thinking, hard bargaining and hard work. The two aspects of post-war policy—Great Power agreement and Small Power co-operation—interact at every level. If the power exercised by the Great Powers is politically tyrannical and economically imperialist, any hope vanishes of organising the areas between their sovereignty on peaceful lines. Yet if they do not agree on policy and put, all the weight of their power and influence behind their agreement, the smaller Powers cannot of themselves create order and prosperity. The Great Powers cannot escape the responsibility of leadership, because the only alternative is anarchy and, later, war.

For Insurances of all kinds



ALLIANCE

ASSURANCE COMPANY LIMITED
OF BARTHOLOMEW LANE, LONDON, E.C.2

Custodian of the Future

The Alliance is empowered to act as
Executor and Trustee and as Trustee
for Debenture Issues.

HEAD OFFICE: TEMPORARILY AT KIDBROOKE PARK, FOREST ROW, SUSSEX.

The Last Lap

ACCORDING to the latest poll taken by the British Institute of Public Opinion, four out of every five persons in this country are satisfied with the Government's conduct of the war, the highest proportion yet recorded; and nine out of every ten support Mr Churchill. No Gallup was needed to show the remarkable degree of popular confidence in the Prime Minister and his administration in this period of victories. Yet, Mr Churchill has come back from America to face a four days' barrage of Parliamentary criticism. The impression derived from these proceedings might even be one of considerable dissension; the Prime Minister has been cross-examined on the pace and direction of Allied strategy and on the objectives of political warfare in Italy and Occupied Europe; Ministers have been heckled on manpower policy and the present labour unrest.

Neither the Prime Minister nor any citizen need, of course, have sleepless nights. It is Parliament's job to criticise and cross-question, to concentrate even now, not on the acknowledged achievements that have brought the nation so far along the road to victory, but on the things that ought not to be done and those that ought to be done. Mr Lloyd George said after the last war that the critics won it; and Mr Churchill, in his turn, has paid tribute to the refreshment given him this time by Parliamentary vigilance. Deeds done are by-gones; it is the problems still unsolved that matter.

The labour problems which were discussed for two days this week are an apt instance of the current mood. The headway made in war mobilisation has been remarkable and unprecedented, and it has been secured by consent and acceptance. Out of 15,900,000 males between 16 and 64 years of age, 15,200,000 are either in the Forces or in full-time gainful employment; the residue is only 700,000 and this includes schoolboys and the disabled. Out of 17,230,000 women between the same ages, 7,100,000 are in the Services or on full-time work; the balance of 10,130,000 includes 650,000 women in part-time employment, schoolgirls and the nation's full-time housewives, many of them doing voluntary work as well. Hours in industry have been very much lengthened, on the average by at least 10 per cent, but in many cases by much more. Mobilisation for war purposes has been made complete by a process of registration, conscription, direction, combing-out and transfer; and every man and woman at work is, by official definition, in essential employment. More than 8,000,000 workers are tied to their present jobs by Essential Work Orders; they cannot move except by official command. The majority of other workers cannot change their employment without official permission. All this has happened without serious opposition or protest in Parliament or elsewhere; and the spectacle of a people so completely in arms compares significantly with the position in the United States, where the principle of universal service has still to be applied by law and volunteering remains the mainspring of equipment outside the Services.

The complaints and criticisms voiced in Parliament this week are simply the measure of the tremendous effort already made. Conservative opposition to the call-up of women over 46 years of age springs from the opinion that no more housewives can be spared from the nation's essential home work. Labour opposition to the direction of youths and boys into underground work at the pits springs from the opinion that the ranks of the coal industry could and should have been filled by other means, and that it is unfair to place upon young men in colliery districts obligations not imposed upon others of their age elsewhere. The protests are not against mobilisation or the method of compulsion, but against the Government's priorities; it is not compulsion, but its particular purpose, that arouses resentment. It is accepted that all

workers are now in necessary employment; there are no reserves. The aim of policy now is to redistribute the national army, where necessary, according to the changing needs of output and strategy. What is questioned is whether the distribution sought by the Government is right one. This is the doubt behind the long-standing widespread demand that coalminers should be re-called from the Forces. It inspires the belief of many that the essential work of the home should not be further delayed. It causes the complaint that Civil Service departments, despite the activities of the Kennet Committee, are not more generously staffed than equally essential work of other kinds; harassed local authorities and business firms, bereft of key employees, feel this strongly.

The background of the present questioning is thus a double suspicion; that too much may be being attempted with the nation's limited stock of manpower, and that the proposed distribution of the workers transferred may not be to the best advantage. These are doubts that inevitably arise on the last lap of the most punishing race in history, when the final ounce of effort required for a victory costs pain and is precious. It is the duty of Parliament to state them. The frictions of the fifth year of war mirror the hard labour of the four that have gone. Workers, managers, employers and administrators have undergone a great physical and mental strain, not comparable in any way to the sufferings of occupied Europe or war-racked Russia, though more prolonged, but sufficient to make understandable far more unrest than has appeared. The causes of most of the strikes that have captured the headlines in recent days are local and personal; they concern the grievances of individuals or the exasperation of relatively small groups of workers. In the main, they represent loose ends that could be tied up by trade union action or direct official redress. They are important because they may be symptomatic of greater unrest to come. They undoubtedly represent a serious warning; but they should not be overestimated. There is no evidence yet of any real wave of strikes. Labour disputes in the first seven months of this year were less damaging to production than those in the same period of last year; and 1942 compared well with the peacetime average in days lost by strikes and lock-outs. The trend has been upwards, it is true, since 1940. In that year the number of days lost was 940,000; in 1941 it was 1,790,000; in 1942 it was 1,527,000. But even this last figure is that of a good peacetime year. In 1929, 8,290,000 days were lost; in 1931, 6,980,000; in 1937, 3,410,000. The ominous feature of recent events is the spreading number and frequency of unauthorised stoppages, rather than their duration and direct effect. The figures for the first seven months were better than last year because of a drop of over two-thirds in the days lost in coal-mining; and in the weeks since coal strikes have increased in number. The fall in coal stoppages up to July was accompanied by a doubling of the number of disputes in engineering and a trebling of the days lost; a doubling of both disputes and days lost in ship-building; and a multiplication of both by five in transport. All this is not yet evidence of serious labour unrest, but it is evidence of a widespread fraying of nerves and goodwill. Workers are vexed by wartime conditions and troubled about their prospects after the war; the absence of Government decisions on post-war policy causes scepticism and alarm.

Whether friction and nervous tension develop into something much graver depends upon the good sense of trade unionists and the practical sympathy of the Government, coupled with the firmest and promptest possible action under the law against deliberate obstruction of the war effort; all strikes are illegal in wartime. Discipline must be maintained in a nation at arms; but it can only be demanded, in a democratic country, if real grievances are first redressed. The main grievance of

most strikers is not the general level of earnings. The average rise in earnings between October, 1938, and January this year was 65 per cent. But there are discrepancies and anomalies. Workers have been moved from higher to lower paid work. Coal mining is an example of the fact that the most necessary jobs do not all carry the highest pay. In principle, all war workers are now directed to their jobs; but the appearance of voluntary recruitment is preserved in differential rates of pay. The fact is that, at some points, though not now at very many, the differentials are wrong, and the inducement to maximise war output is correspondingly lessened. More important, practically, is the supply of physical necessities, food, clothing and shelter; the principle that the hardest driven and most essential workers should have preference has been only half-heartedly applied. Housing accommodation, perhaps inevitably, is often very bad and always crowded. Canteens for "heavy" workers are too generalised; and canteens for "heavier" and "heaviest" workers do not exist. It is in the adjustment of these details, and in the matching of effort by welfare, that grievances can best be met.

Even so, there remains the overriding doubt about policy. Has mobilisation reached its limit? Is the present and proposed deployment of war workers the wisest possible when the nation is already at full stretch? These are questions that only the Government can answer. Only Mr Churchill and some of his colleagues know the numbers of men, aircraft, munitions and stores that must be delivered to the Allied fronts; and it is presumably

a decision of Allied policy that determines how many more British women must be called up or transferred to work in aircraft production. But Parliament is entitled to ask for the facts and figures upon which policy is based. There is one crucial fact in every calculation which Members, back from recess, know better than most Ministers—the mood of the people under their protracted burdens. It is their duty to state it, and to remind the Government that, in most instances, the work from which men and women are now being taken is as essential, in its way, as the work they are being taken to. It is the Government, not Parliament, that makes policy; if Parliament is persuaded after this week's frank debate that mobilisation and transfer must continue on the present lines, criticism will abate, and support for Mr Churchill will in any event be unshaken. But the administrators of policy, whether in Government Departments, at trade union headquarters or in national service offices, will do well to recognise and re-examine the manifold local and personal troubles that are the substance of the impatience of this very willing people in the fifth year of war. Ministers themselves, Mr Churchill above all, could not do better than to reckon what a spur and stimulant might be given now to jaded workers—and toiling troops—by bold, sincere and specific assurances in legislation and Cabinet decisions that every possible step will be taken, without let or hindrance, to establish after the war a minimum standard of life for every family; an equal opportunity of training, work and service for every child; and full employment.

Local Authority Finance—I

THE Prime Minister's statement on Wednesday in the Commons on local government was not helpful. He admitted that the "cumulative effect" of the proposed extension and improvement of many public services might bear heavily upon the existing authorities. But he said that the reform of local machinery was too controversial and difficult to be tackled in wartime. Far more of the machinery of government in this country rests on the local authorities than is generally realised; and the "cumulative effect" of which Mr Churchill spoke will hit them hard financially as well as administratively. Of the Government Departments only the Post Office, the Ministry of Labour and the Inland Revenue have long-established local organisations. (A number of others have built up local organisations for war purposes, but these are presumably temporary.) The Assistance Board also has a local organisation, but at the outbreak of war it was young and had hardly outgrown its origins, which were derived from the Ministry of Labour and from the local authorities. All the many other functions of Government policy which can only be exercised in the localities are administered through the local authorities. The Board of Education does not run a single school; the Ministry of Health owns no hospitals. These two big services, together with town and country planning, housing and police (outside London) are all administered by the local authorities. The Ministry of War Transport has the responsibility for the trunk roads, but it employs the county councils as its agents. There cannot be many other countries where the administration of national policy is so completely decentralised.

The effectiveness of local authority administration is thus a matter of far more than local concern. It is an essential part of national policy. Unfortunately the machinery is not working well. Parliament legislates, but policy often languishes in the local areas. Where Parliament lays a duty on the local authorities, their performance is often very varied. And where Parliament merely encourages, by the grant of powers and the promise of subsidies, there is often no performance at all. Town planning—particularly in respect of the restriction of ribbon development—has been hanging

fire for years. Educational development (as the recent White Paper acknowledged) has been largely restricted to the bare minimum required by law, and the permissive powers given as long ago as 1918 have become virtually dead letters. The present state of affairs is not so bad that the word breakdown can fairly be applied; but it may not be an exaggeration if further heavy obligations are loaded on to the local authorities as part of post-war reconstruction. And that such additional burdens are in prospect is very clear. The local authorities are to bear 45 per cent of the not inconsiderable cost of the Government's new education proposals. Large schemes for town and country planning and for medical services are in preparation. Both will be operated through the local authorities, and it will be entirely contrary to all precedent (including the very recent precedent of the Education White Paper) if a sizeable part of the cost is not left to be found by the local authorities. Housing is another case in point, though here it may be made possible for a local authority to recoup itself fairly completely from rents and subsidies combined. These heavy prospective burdens create a very serious situation, and there is real danger lest a very large part of post-war reconstruction break down because of the simple, almost mechanical, fact that local authorities cannot play their part. The vague statements from the Ministry of Health to the effect that a reform of local government is now in prospect have now been made vaguer still by the Prime Minister's pronouncement.

Part of the difficulties of local authority administration arise from the smallness of the areas. Broadly speaking, there are no authorities larger than the counties and the county boroughs. The county boroughs have no subordinate authorities beneath them, and can therefore bring all local authority functions together in one administration; but many of them are very small, with populations of little more than 50,000. The counties are, on the average, larger; but they have subsidiary bodies in the form of municipal boroughs and urban and rural districts, which administer many of the functions. Moreover, it is only on the average that the counties are larger; they include such tiny areas as Rutland, the Soke of Peterborough, Radnorshire and

Huntingdonshire, whose combined population is only 146,000. There were in England and Wales in 1931 1,850 local authorities (counties, county boroughs, metropolitan boroughs, municipal boroughs, urban and rural district councils). Of this large total only 118 had a population of over 100,000 and only 45 had a population of over a quarter of a million. The representative local authority, even of those of county status, is thus a small body. Grouping for specific functions has made very little progress, and the majority of functions are left to be administered by such officials and with such financial resources as a small authority has available. In these circumstances full efficiency is hardly to be expected.

Small size, however, is neither the only nor even the chief handicap to efficient administration. The main trouble is financial. The local authorities are almost at the end of their financial resources, and if they fail in their duties the main reason is that they cannot afford to do any more. They draw income from only two sources (apart from fees and charges for their trading services): from the rates and from Government grants. The main Government grant is the block grant enacted by the Derating Act of 1929. This grant was intended, not merely to replace the revenue lost by the local authorities as a result of derating, but also to lower the general level of rates, and to introduce a certain measure of equalisation between areas. It achieved these purposes only for a time; and by 1939 both the general level of rates and the inequalities between them were as bad as ever. In addition to the block grant, which is a general grant-in-aid and can be used for any variety of expenditure, there are various specific grants for special forms of expenditure, of which the education grant is much the largest. Most of these grants meet only a stated proportion of the expenditure—the education grant, for example, is to be raised, as part of the new proposals, to 55 per cent, on the average of all local authorities. The central Government has always been very strongly opposed to grants covering the whole or a very large part of local authorities' expenditure; its reason—with which it is difficult to quarrel—is that those who do the spending should be subject to the check of having to find part of the money themselves. It will be recalled how much time was spent in the years 1936-39 before this rule could be set aside in the case of civil defence, which remains the only large exception. The position, therefore, is that if a local authority wishes, or is compelled, to increase its expenditure, it must find either the whole of the money or (in the case of a service for which there is a specific grant) a proportion usually in the neighbourhood of one-half. The only

source from which it can find the money is rates. Rates are a most unsatisfactory tax. They are inequitable as between rich and poor. They penalise the family against the single person or the childless couple. Their burden on business undertakings (they are still levied in full on commercial premises and at quarter-rate on industry) is a fixed charge to be met before profits are struck. And, most important of all, they fall most unequally on different places. Among the county boroughs in 1938-39 Merthyr Tydfil levied rates at 27s. 6d. in the £, Bournemouth at 7s. 10d.; Eastbourne and Manchester were raising more than £6 10s. per head of their population (Eastbourne had one of the lowest poundage rates in the country), while Darlington and West Hartlepool raised less than £3 per head.* These discrepancies are in part due to the differing needs of the various areas and in part to their differing means; where the need is greatest the means are apt to be smallest. There is also the most surprising divergence between different areas in the methods of valuing property; and Professor and Mrs Hicks, who have enquired into this aspect, state that high valuations tend to go with high rates, so that the inequalities are even greater than appears on the surface. The average rates throughout the country were already between 13s. and 15s. in the £ before the war. They will be increased by rising costs, apart altogether from new legislation, and it is a delusion to suppose that most authorities will be willing or able to make large additions to the rates for expanding welfare services.

This is the dilemma in which all reconstruction schemes which call for local administration will, in the default of far-reaching reforms, find themselves. The local authorities will exert all possible forms of resistance to an increase of rates. Their case will be so little based on recalcitrance or ill-will that the Departments in London will find it very difficult to insist on full enforcement of their plans. On the other hand, the Treasury will, quite rightly, refuse to give the local authorities a blank cheque on the National Exchequer by increasing the specific grants to, or nearly to, 100 per cent of any additional expenditure. With the present structure of local finance it is hard to see how deadlock can be avoided.

The methods of escape from this dilemma will be discussed in a second article.

* Some of the foregoing facts are taken from *Standards of Local Expenditure*, by J. R. Hicks and U. K. Hicks (National Institute of Economic and Social Research Occasional Papers No. 3. Cambridge University Press, 4s. 6d. net). This deals only with the county boroughs, but it is a most instructive and illuminating survey of the problems of local authority finance.

Pay-as-You-Earn

THE scheme for taxing weekly wage earners on a pay-as-you-earn basis, announced on Wednesday, is admirably designed to achieve its limited objectives. The system of income tax is left unaltered; but its application to one section of taxpayers—the large majority, by numbers though not by payments—will be radically changed. In the words of the White Paper (Cmd. 6469), which sets out the details with great lucidity, "The tax deducted from earnings in any financial year will represent the liability for that year, measured by the actual earnings of that year, and the deduction of tax week by week will keep pace with the accruing liability." The prospect is removed of wage earners being saddled with heavy retrospective obligations when abnormal wartime earnings fall or if, as is likely in the case of many women, they go out of gainful employment when the war ends.

The new method of collecting income tax, which will come into force on April 6th next year, and will apply to all weekly wage earners whose tax is deducted at source (with the exception of civil servants and railway officials, to whom special arrangements already apply), is ingenious in construction and simple to operate. The weekly liabilities of wage earners, which will of course fluctuate week by week with earnings and employment, will be worked

out according to a complicated formula; but this will be calculated beforehand by the tax authorities to cover all cases and translated into a series of tax tables, which will serve as an automatic ready reckoner for employers in making deductions of tax from weekly wage payments.

At present the amount of one year's tax is assessed, for every taxpayer, on the basis of the preceding year's earnings. In the case of weekly wage earners, who are also weekly taxpayers, the lag between money earned and tax paid is ten months, which gives rise to misunderstanding and may cause definite hardship when earnings fluctuate, decline or cease. The new system provides that the weekly tax payment will be based on the same week's earnings, with allowance every week for a proportionate share of the exemptions and reliefs to which the taxpayer may be entitled. The amount of tax to be deducted each week will be the tax due on the total wages received in the tax year up to and including that week, less the tax already deducted in the previous weeks of the year. For example, the tax to be deducted in the first week will be the standard rate less one-fifty-second of the reliefs and allowances for the year; the tax to be deducted at the end of the second week will be the standard rate on the earnings of both weeks, less the tax deducted in respect of the earnings

in the first week and two fifty-seconds of the reliefs for the year. If, say, earnings suddenly cease in the third and fourth weeks, tax liability does not accumulate, but reliefs do; and the tax liability at the end of the fifth week, assuming work to have been resumed, will be the standard rate on the aggregate earnings of the first five weeks, less the tax already deducted in respect of the first two weeks and five fifty-seconds of the reliefs and allowances for the year; and if aggregate relief for the five weeks and the tax already paid in respect of the first two weeks exceed the tax at the standard rate on aggregate earnings during the five weeks, the difference will be refunded.

Thus, by the adoption of a cumulative principle, the taxpayers covered by the scheme will have neither liabilities nor credits at the end of the year. Such small margins as may appear at the end of the year will be due mainly to the use of round figures. Provision is made for special circumstances, such as a change in reliefs due to additions to the family and changes in employment. The principle of the scheme is very simple and it will be easy to operate, though it may not be easy to explain in detail to those it affects. The employer will be given a Tax Deduction Card for each weekly wage-earner. On this he will record, week by week, the wages earned and the deductions made, and this will also serve as the employer's return of wages for his own income tax assessment. For the purpose of tax deductions, each wage earner will be given a Code Number, which will indicate what reliefs are due to him, according to the size of his family and other circumstances. The Tax Tables with which every employer will be provided will show for each Code Number the amount of cumulative tax to be deducted from any given sum of wages in any week; they will show at a glance the amount of tax to be deducted or refunded at the end of every week for every wage earner.

The change-over will take place at the beginning of the financial year 1944-45, when under the existing system the weekly wage-earners will already have paid tax for two months on the basis of their earnings in 1943-44. From April, however, the basis of assessment will be changed from earnings in 1943-44 to earnings in 1944-45, that is, to current earnings. No tax is "forgiven"; the windfall of £250 millions mentioned in the White Paper, which newspapers allege will be presented to wage-earners, is a notional figure; it simply states what these taxpayers would have paid on the basis of 1943-44 earnings if 1944-45 earnings had not been substituted as the basis of assessment—which, in fact, may cause a higher sum to be paid instead; every wage-earner liable to tax will still pay tax every week; all that happens is that the basis of assessment will be changed, which in many cases will increase, not

decrease, the tax due. The Treasury's "loss" in individual cases will arise from the fact that when taxpayers die or cease to be liable their tax payments will cease also; there will be no deferred liability outstanding. On the other hand, new taxpayers will pay tax throughout their first year of liability, instead of, as at present, not until their second, so that there are swings to balance these rather academic roundabouts. The scheme is simpler and more effective than those adopted in Canada and the United States; it could easily be combined with the distribution of "Beveridge" allowances. It forestalls difficulties after the war, when earnings may fall, many incomes will cease, and deferred collection would mean default. The immediate effect on the revenue will depend largely on the course of incomes and on the number of weekly wage earners. If wage incomes suddenly drop next year, the Treasury will obtain less than the estimated receipt of £250 million on the old basis; but if incomes suddenly drop or cease the Treasury would have lost in any case, through default. If, on the other hand, incomes continue to rise next year, and the number of wage earners remains unchanged, the Treasury will gain by collecting tax on a higher basis of assessment.

The introduction of "pay-as-you-earn" is a definite improvement in the system of tax collection, and it is impossible to understand why its application is to be confined to weekly wage earners. Many workers who are paid monthly earn less, and possess less, than weekly wage earners. True, the proportion of salaried persons who possess savings is probably greater than that of weekly wage-earners, which much reduces the chance of defaults after the war on the present basis of retrospective assessment and deferred collection. Nevertheless, the Treasury must be urged to reconsider its decision and extend the scheme to salary-earners.

The main criticism, however, must be that, though the basis of assessment is to be changed, the method of assessment is not. The present method is tortuous and hard to understand. In its details this scheme will be no easier to understand than the old one, however automatic it may be in operation. It is hard not to feel that a great change has been lost. All the basic defects of the present income-tax system could be solved together by the adoption of a scheme, such as outlined in *The Economist* on September 11th, by which tax would be deducted at a flat rate from all incomes and allowances paid in vouchers which could be used in payment of tax or cashed. It is a great gain that this first step towards changing the basis of income-tax assessment has been taken. But it is a gain that only underlines the necessity of reforming the method of assessment as well, so that income tax may become the simple and flexible instrument of policy that modern economy needs.

NOTES OF THE WEEK

Amphibious Operations

Mr Churchill is credited with having once said that modern armies have become so mobile that they are practically immovable. T. E. Lawrence said much the same thing twenty years ago about the unsuitability of modern equipment in Arab warfare. The extraordinary apparatus required to move modern forces over long distances of water has been the main limiting factor in the strategy and time table of the Allies since the process of mobilisation and industrial output reached a sufficiently advanced stage to make attack possible.

We are terribly hampered by the sea, which has been our shield and protection, but which is now a barrier which prevents the employment of those great forces.

This was the theme of the Prime Minister's statement to the Commons on Tuesday. On the one hand, in this task of deployment, there has recently been an outstandingly favourable factor, the defeat of the submarine offensive—which could not, of course, be counted upon at Casablanca in January when sinkings were still serious. There has been a dramatic change:

It is a fact that, for the four months which ended on September 18th, no merchant vessel was sunk by enemy action in the North Atlantic. During the first fortnight of this September, no Allied ships were sunk by U-boat action in any part of the world.

The abatement in the sea menace has made it possible to

lay up great stores at home and overseas for the next offensives. Even with this advantage, in its suddenness and completeness almost as much of a "windfall" as the surrender of Italy, it was apparently not possible to hasten the timetable of attack more than was in fact done. Mr Churchill's explanation of the implacable limits set by the logistical problem of moving modern forces in large-scale amphibious operations seemed at one point to place the main responsibility upon a shortage, not of ships, but of landing craft. The gap between the Battles of Sicily and Italy was set, it seems, by "the time necessary to disengage each landing craft from the beaches of Southern Sicily"; they had to be repaired, re-loaded and ordered and arranged for the next expedition. If it is true that the speed and diversity of Allied deployment in the new European theatre is determined—whatever other resources are available and whatever the degree of sea superiority possessed—by the number of landing craft available, the question obviously arises whether the supply of these vessels is sufficient. It was a bold step to start their design and construction in 1941 when the time for their use was still distant, though some had suggested it even in 1940; and it would be more than a pity if other claims upon labour, plant and materials were now to hobble, for lack of landing craft, the great forces that stand poised to spring. It is right to ask whether the claim of heavy bombers for engines has slowed the output of these vessels, many of which are said to be engined similarly.

The Italian Delays

Mr Churchill met his critics squarely on the question whether unnecessary delays had held up the invasion of Italy. These criticisms have been made from different angles. Some people were not convinced that the military planning had been as alert and speedy as it might have been. Could there not have been a more rapid following up of the gains in Sicily? Could the landings in the toe of Italy have taken place sooner, or have been accompanied by more landings elsewhere? These were the questions that Mr Churchill answered by his description (discussed in the preceding Note) of the supply and transport problems involved. "The condition and preparation of the landing craft were the sole but decisive limiting factor." This blunt statement also answered the second group of critics who argued that the Allies were not ready with their peace terms, and then spent time haggling over the conditions. Mr Churchill showed that the reason for delay was quite simply the ubiquitous presence of Germans in Italy. Marshal Badoglio's envoy approached the Allies on August 15th—after some preliminary feelers—and stated "that when the Allies landed in Italy, the Italian Government were prepared to join them against Germany." From that day the negotiations were conducted smoothly and with all speed. The delays were due to the secrecy with which the Italians had to act, surrounded as they were by their ex-Allies. Even so, the course of the negotiations did not influence the date of the landings on the mainland. That date was fixed by military considerations alone, and the armistice terms were withheld to coincide with the landing, not *vice versa*.

The Italian surrender was a windfall, but it had nothing to do with the date for harvesting the orchard.

* * *

The Margin of Opportunity

Political developments in Italy clearly outran the time table to which the military machine had to work. The Prime Minister and the High Command were well aware of the discrepancy, as the exchange of letters between Mr Churchill and General Alexander conclusively shows. The question which some critics, experts as well as laymen, still ask is whether the complicated and ponderous working of the invasion machine cannot be simplified and made more flexible. Unexpected turns and sudden crises are essential features of modern warfare; there is need for a margin of opportunity, as well as a margin of safety, and events in Italy have thrown a sharp light upon the importance of this margin. The place of the landings in Italy, the Prime Minister explained, was determined by the range of shore-based aircraft, without whose support the invading force would have been exposed to attack from superior land-based forces in the critical moments of the landing. The critical period on the Salerno front lasted from September 9th to September 16th, when the enemy enjoyed to the full all the initial advantages. These were ultimately overcome chiefly by two factors: aircraft support (sufficiently massive to concentrate 2,500 bomber and fighter sorties into twenty-four hours), and naval artillery. A landing further to the north could have been supported by naval guns and sea-borne aircraft, but not by shore-based aircraft; and the advantage of close air support over Salerno was only partly undone by the fact that descent there

lacked the element of surprise. The enemy, too, knew Salerno to be the northernmost limit of the range of the Allied shore-based aircraft, and prepared for defence there. It may be argued that a landing made farther to the north and much earlier might have benefited from surprise more than it might have suffered from the lack of close air support. But, given the time of the landing, more than six weeks after Mussolini's downfall, the choice of Salerno was undoubtedly correct. It enabled the Fifth Army to join hands with the Eighth Army advancing from the south. With the capture of Potenza the Allies have now established a more or less continuous front in the south of Italy. The difficult and costly march to the north now moves continually between the two precipices of which the Prime Minister spoke: "the precipice of caution and the precipice of over-daring."

*

The margin of opportunity is widening almost everywhere in the Mediterranean. In the west, Sardinia was freed from the Germans with surprising speed and ease by the Italians themselves. In Corsica the Fighting French have captured Ajaccio, forced the Germans to evacuate Bonifacio and Porto Vecchio in the south and to withdraw to Bastia, the only port of embarkation left to the enemy; here a popular insurrection has merged with the war and, in fact, gone ahead of the military operations. A similar and an even more significant phenomenon can be seen in the east. Large stretches of the Dalmatian coast have been captured by the Yugoslav guerillas; excellent invasion ports, such as Fiume and Susak, are being kept, at terrible risk to the guerillas, in expectation for the Allied invasion; and German communications in Croatia and Serbia are being harassed. In the Aegean, the Germans have been quick to tighten their grip on Crete, Rhodes and on the Dodecanese islands. But the Allied descents on Cos, Leros and Samos mark the beginning of an important new series of offensive moves.

* * *

Pacific Offensive

"At the Conference at Quebec much attention was given to the prosecution of the war against Japan." Mr Churchill did not, naturally, reveal any plans for the further prosecution of the Pacific war, but he gave the House of Commons some idea of the importance attached to this aspect of the Anglo-American war effort—"the main strength of the United States is deployed in that ocean." The question is, will the tempo now be quickened? Are more troops and material to be devoted immediately to the Far Eastern war? The appointment of Admiral Mountbatten to the Combined Command of South-East Asia suggests that a new and more active phase is about to open. Will this new phase entail a big diversion of supplies and manpower from other fronts, in particular from "the mass invasion of the Continent from the West." In his Commons survey Mr Churchill spoke eloquently of the problems presented by logistics in the Italian campaign—the return and repair of landing craft, the naval concentrations, the air covers. He characterised the opening of a front across the Channel as a "far more difficult, far larger and more serious operation." The layman is left wondering whether the Allies can really afford to switch much weight from Europe to the Pacific now that the decisive moment in the West is so obviously in sight. Mr Churchill argued that, only if the pressure were kept up on Japan, could the process of attrition—of which there are already signs—be fully maintained. Certainly, the existing degree of pressure should be maintained. It is increased pressure that raises the question whether the only right policy—the policy of one by one—is not going now to be perilously watered down. It is surely better to win without reserve or limitation or delay in Europe and then to strike a completely annihilating blow against Japan than to prolong the European war in the interests of Far Eastern attrition.

* * *

Labour Unrest

The present industrial troubles are discussed in an article on page 420. They are in part a reflection of war fatigue, in part due to the widespread impression that the war is as good as won and that employers, at any rate, are thinking already mainly about post-war prospects; more specifically, they represent local protests against the incidence of rules and orders upon the pay and conditions of

particular workers or groups of workers. But slackening of effort and stoppages of work must have the effect of prolonging the war. By the middle of this week, some 20,000 workers were out on strike: 5,000 miners, 4,000 shipwrights and 9-10,000 engineers. The Nottinghamshire miners who struck *en masse* as a protest against the imprisonment of a young surface worker who refused to be directed underground, returned to work on Monday, after the young man had been released and had agreed to work underground. The 1,500 Ashington miners who struck over wage grievances have also returned, but strikes are still going on in other parts of Nottinghamshire and in the Northumberland area. The position on Clydeside has become serious, with some 4,000 shipwrights out. The men's demand is for an extension of the system of payment by results, which would enable them to earn 33½ per cent on their wages; they say that they have tried in vain to obtain their demand by negotiation, and feel that the issue should be investigated by an industrial court. The Clyde riveters, who engaged in a "token" strike in support of a claim for a minimum of 3s. an hour, have sent a deputation to lay their case before the Minister of Labour and the First Lord of the Admiralty. Nearly 9,000 employees at Vickers-Armstrongs' works, Barrow-in-Furness, have decided not to resume work until they have been granted the award of the National Arbitration Tribunal last March. This award was an extremely complicated one and gave rise to great discontent at the time of its announcement. The Engineering Employers Federation and the Amalgamated Engineering Union have jointly asked for an interpretation of the Tribunal's findings, which is to be given next Tuesday and may help to smooth over some of the friction. Over 12,000 women in a North-East engineering factory are threatening to strike unless they are paid "the rate for the job." Meanwhile after lengthy discussions between the Electrical Contracting Employers and the Electrical Trade Union, it has been agreed to submit the men's claim for a 3d an hour advance to arbitration. This is a formidable catalogue of strikes, all against the advice of the union leaders, and the unrest is undoubtedly being fomented by irresponsible elements. It is satisfactory, by contrast, to read of the secret meeting between Sir Stafford Cripps and representatives of the aircraft industry, at which a unanimous pledge was given to provide the greatest possible output of aircraft.

* * *

The Vatican Encircled

The Argentine Government, which may very well be seeking a dignified occasion to break off relations with the Axis, is very much concerned about the Germans' violation of the neutrality of the Vatican City. It is difficult to say how far this neutrality has, in fact, been invaded. The Vatican Radio has denied that the German Guard is posted actually on Vatican territory, and although, through the Vatican Radio—the only source of direct information—it is known that there are some restrictions on entry and exit into the Vatican, it does not seem that the Pope's sanctuary has been seriously invaded. Nevertheless, the Vatican is completely cut off, even from postal communication. In such a situation, rumours are naturally rampant. But two facts seem fairly certain: on the one hand, the Pope has not received the German Commander Kesselring; on the other, no use has been made of the Vatican Radio to protest against the German action in occupying Rome, apart from one very moving and extraordinarily strongly phrased sermon given in German a day or two after the German occupation. This, under a very thin veil, was a violent attack upon German imperialism. One can, perhaps, see a note of defiance in the continued appeals for peace which were broadcast for some days after the German action, but since that time, all broadcasts have been cut down from the usual fifteen minutes to about three minutes, and although there is no confirmation of this, it does seem that some kind of pressure has been brought to bear upon the Vatican to preserve the neutrality of silence. It is impossible to avoid the conclusion that with the Italians in their agony, and fighting and devastation following the German troops on every side, the Pope has refused the urgent duty of moral leadership.

* * *

The Archbishop's Visit

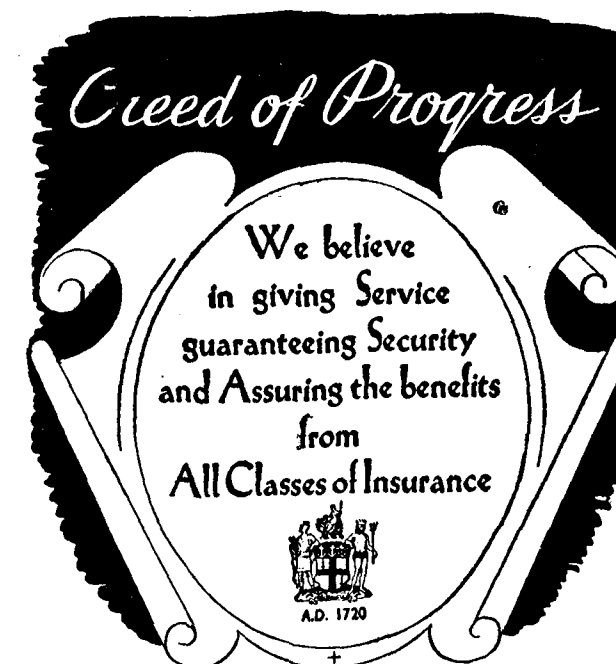
The visit of the Archbishop of York to Moscow is an astonishing event. Who, prophesying two years ago the course of this extraordinary war, would have pictured an

Archbishop of the Anglican Church alighting from an aeroplane on an air-field near Moscow in order to bring the cordial greetings of his Church to the newly recognised Orthodox Church of Russia? There is every reason to welcome this direct contact between the two Established Churches. Russia has lived so long in such complete isolation that any step which lightens the darkness and brings the peoples of the two countries into open communication with each other is an obvious and valuable contribution of good neighbourly relations. A number of religious issues are, of course, involved. By making this gesture, the Anglican Church will no doubt strengthen the position of their Orthodox brethren. On the English side, there is direct interest in the question of Anglican Orders. As long as the Eastern Orthodox Church had no recognised head, no competent authority existed to give the Anglican Church what it has long wished for—Orthodox recognition of the validity of Anglican orders. It was naturally not the chief purpose of Dr. Garbett's visit to secure this recognition, but it is likely that it will come under discussion in the course of his stay. The Archbishop's visit also throws light on the speed and ease with which the Orthodox Church is returning to its traditional rôle of pillar of the state. Judging by the appeal to all Christians issued by the Council of Bishops on September 8th, which expressed their hopes

that by the exertion of the efforts of Christians of all Allied countries at this favourable moment, when our own Russian Red Army is victoriously ousting the enemy from the homeland and has diverted to itself big enemy forces, the long awaited second front will at last be created and thus bring nearer victory and peace for the peoples—

one can easily imagine that the need of a Second Front will be urged on Dr Garbett and that in this sense his mission will have a political as well as a religious significance. It is also significant that one of the first actions of the official Church was to excommunicate all persons among the Orthodox clergy and laity who had assisted the Germans.

We who are gathered to-day in the name of the Father, the Son and the Holy Spirit reiterate this verdict and resolve: Everyone guilty of treason to the common cause of



THE LONDON ASSURANCE

— HEAD OFFICE: —
1 KING WILLIAM STREET, LONDON, E.C.4.

— MARINE DEPT. —
157, LEADENHALL STREET, LONDON, E.C.3.

Branches & Agencies throughout the World

APPLICATIONS FOR AGENCIES INVITED

CENTENARY RECORD

1. We have been able to prepare a limited number of copies of **A Commemorative Pamphlet**, which will include (a) all the special centenary articles which appeared in the issue of September 4th, dealing with the history, policy and present views of *The Economist*, and (b) the speeches made at a centenary luncheon on September 2nd by Sir Walter Layton, chairman of the gathering; the late Chancellor of the Exchequer; the Governor of the Bank of England; the Home Secretary; and the Editor of *The Economist*. Copies will be available in a few days (**price 2s., postage 2d.**), and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Temple Bar 3316.)

2. A volume of essays entitled "*The Economist, 1843-1943*," which is mainly historical in character, has been published by the Oxford University Press, price 7s. 6d. (Orders should be placed through booksellers, and not with either the Oxford University Press or *The Economist*.)

the Church and of deserting to the side of Fascism, the enemy of the Cross of God, shall be excommunicated from the Church.

The pattern, into which the relations between Church and State in Russia will fall, belongs to the future, but history lies heavily upon them, with its long tradition of the subservience of the Church to the political community. It is possible that with the restoration of so many other traditions, this will prove no exception.

Soldier and Philosopher

Lord Wavell has already proved himself a general with a philosophy of generalship. His appointment to be Viceroy of India has given him the chance to prove himself also a statesman; and his speech at a Pilgrims' luncheon last week suggests that he has the right philosophy for that rôle too. Most of his speech concerned his testing-ground in India—and he spoke against the background of a famine in Bengal that has reached distressing and disturbing proportions. His three main problems would be, he said, the war against Japan, the day-to-day problems of government, economic and social—

it is an alarming thought to realise that every month, at the present rate of increase of the population, there are an additional 300,000 to 400,000 people to be fed, educated and cared for:

and, thirdly, the political advancement of India—he fully realised the great weight of opinion in favour of loosening the present deadlock. But Lord Wavell also spoke of the approach of the end of the struggle with Hitler and

the beginning of the struggle to save civilisation. . . . One cause of the ills from which we now suffer is that in recent years we have ceased to be wanderers; that we have become too set and content, and that we have lost the pilgrim spirit.

To set the frontier moving again, Lord Wavell urged the abandonment of the "two terrible slogans"—safety first and business as usual.

The years between the two great wars were a period. . . when mind and body grew slack. . . . when cleverness was reckoned of more account than character; when leadership was gained by caution rather than by daring; and when comfort and personal advantage were being preferred to duty.

Lord Wavell has, too, the common touch, for he echoed the feelings of the man in the street—as well as the more sophisticated demand of the economic expert for a policy to promote full employment—when he referred to

the curious fact that money is forthcoming in any quantity for a war, but that no nation has ever yet produced the money on the same scale to fight the evils of peace—poverty, lack of education, unemployment, ill-health.

Famine in India

Food shortage in Bengal has become famine. It is a dreadful state of affairs. True, the situation has been temporarily eased by the import of about a fortnight's supplies of grain by the Government. But the fundamentals of the situation remain unaltered. There is enough food in all India if supplies could be spread evenly, throughout the provinces. This involves the central distribution of all surpluses above local needs, and calls for a degree of authority that neither the Central nor the Provincial Governments of India have hitherto seemed to possess. There are two difficulties, one political, the other administrative. The political difficulty is the reluctance of provincial producers and their Governments to release supplies for outside consumption, and the corresponding reluctance or inability of the Central Government to enforce release; there would be no famine in Bengal if the Punjab's surplus of wheat could be made available. The second difficulty is administrative. It is easy to talk about the central pooling and allocation of supplies, about rationing and even distribution in a tiny, compact, advanced country like Britain. It is enormously more difficult even to begin with these measures in a sub-continent, especially without the goodwill and co-operation of the Indian people; this point has been made in a valuable report by a committee under Sir Theodor Gregory, Economic Adviser to the Government of India, which recommends urban rationing and central control over distribution and, with a minority dissenting, over prices. The Central Government, and behind it Britain, will inevitably be blamed both for the famine and for the stern measures that should be taken to end it. The only course is to pursue the right policy promptly and firmly with-

out heeding praise or blame; it cannot be wrong to feed the starving. But the real test is of the Indians themselves. Here is a major issue of purely Indian concern, social and economic with no real political connotation; if the Indians cannot get together to obtain the right attitude among politicians, administrators and producers of their own nation, then the chances of their coming together as independent Indians on the day-to-day issues of self-government must correspondingly be belittled. This much, however, must be said in addition. No appeal has yet been made by the Viceroy across the gulley that split the Indian political scene for the co-operation of every patriotic Indian in a campaign to feed the starving people of Bengal; at least such an appeal should be placed on the record.

The BMA Meets

Certain sections of the daily press have read into the motion accepted on the first day of the British Medical Association's meeting a categorical refusal to agree to any form of a national medical service. This reading of the vote is very far from correct. The medical profession, as represented by the BMA, has not rejected Assumption B of the Beveridge Report—the establishment of a comprehensive health and rehabilitation service—nor has it gone back on its own proposals for a comprehensive service, outlined in its Planning Commission's report last year. On the contrary, Mr Souttar, chairman of the Council, declared that the Beveridge proposals which affected the medical profession were largely based on the accepted policy of the BMA, and, as Lord Dawson said, the medical profession has advocated a comprehensive service since 1920; it is the Government that has hitherto held back. What the BMA has rejected is the conditions said to have been taken as axiomatic by the Ministry of Health in its first discussions with the medical profession. It has rejected, in other words, the proposal for a whole-time salaried service working under the local authorities, and has adopted a proposal for a corporate body, responsible to Parliament, to administer a national medical service. Mr Souttar stated that there was reason to believe that since the discussions the Ministry of Health had modified its views, and that the forthcoming White Paper would contain proposals far more acceptable. Sir William Jowitt stated in Parliament this week that this White Paper would be ready shortly—another, showing the progress made on the major problems involved by the Beveridge proposals, will be presented in a few months—and until it appears it is not possible to say whether the BMA is being too uncompromising or whether the Ministry is compromising too much. But it is worth noting that the BMA still holds to its axiom that—in the words of Mr Souttar—

A first-class medical service should be obtainable by every individual whatever his economic status.

Food, Health and Income

Sir John Boyd Orr has recently given an encouraging picture of the nutritional state of the people. In his survey of Food, Health and Income, published in 1936 but relating to 1934, he estimated that no less than half the population was not getting a standard of nutrition necessary for health. Considerable improvements took place during the late 'thirties, with increased public health measures, child welfare services and advances in the knowledge of dietetics; and the results of a comprehensive survey in 1939, covering 1,500 families from the north of Scotland to south of the Thames, showed that the undernourished proportion had fallen from a half to a third, and that the worst third were better fed than the worst third in the former survey. The position has been further improved since the war. Sir John Orr attributes this to the scientific feeding policy adopted by the Ministry of Food, based on the nutritional needs of the people; to the equitable distribution of essential foodstuffs, the adoption of more balanced diets, the use of wholemeal bread instead of white bread, the extension of the milk schemes, the development of communal feeding and works canteens; and, above all, to the increased purchasing power in the hands of the working population. Boys of 13 in Glasgow are on the average 0.88 inches taller than before the war, and boys of 5 are 0.44 inches taller; and in spite of congested housing conditions the Scottish infant mortality rate is lower than at any time before. The really important thing is that the lessons of wartime should be carried over into the peace. In wartime, it pays to keep fighting men and working people fit and

healthy. In peacetime, there may not be the same incentives. It would be disastrous if the appalling spectre of poverty and malnutrition that has so long haunted Britain's industrial centres were to reappear. Sir John Orr is outspoken on this point. The recommendations of the Hot Springs Conference that every one of the United Nations should undertake to bring within the reach of every family sufficient food for their subsistence, are, in his view, the most important and revolutionary advances yet made. "If they are not accepted I shall despair of post-war reconstruction, and I shall have no faith in promises of any kind."

Friendly Societies

In his report on Social Insurance, Sir William Beveridge suggested that the approved society system of giving unequal sickness benefit for equal contributions should be abandoned; that friendly societies giving benefit of their own should continue to administer state benefit as fully responsible agents, but that other societies and companies should not. Last Saturday Sir William criticised, with characteristic acerbity, an alternative suggestion put forward by the National Conference of Friendly Societies, by which the existing machinery of the societies would be used for the payment of state benefit. This proposal is in direct conflict with Sir William's proposition that the administration of sickness benefit should not be entrusted to independent bodies by arrangements which do not make them feel direct responsibility for administration, and that an agency administering state benefit should not be associated in any way with any body working for profit. Sir William, in his report, went out of his way to pay tribute to the great services rendered by friendly societies in the past. But the test, in his view and that of many other people, is the relatively high cost of administration under the present system, and the relatively low and chronically uneven standard of benefit. The friendly societies counter-proposal would, in Sir William's view, sign the death warrant of the friendly societies—

Because any agency which is administering public money without any financial responsibility must ultimately come under State control. Under this plan, moreover, the friendly societies, with their long record of disinterested service and

care in sickness, will be associated on equal terms with organisations for business, not concerned in sickness insurance, and interested in pushing another form of insurance, which has been criticised by one independent committee after another as eating up the resources of persons of limited income in excessive costs and in lapses.

Shorter Notes

The Australian Opposition is regrouping after its smashing defeat by Labour in the recent election. The uneasy union between the United Australia and Country parties, whose mutual recrimination was a feature of the election campaign, has split; and Mr Menzies, elected leader of the United Australia party, will now be leader of the Parliamentary Opposition.

Referring to Mr Curtin's suggestion for a new Imperial body to take decisions on behalf of the whole Commonwealth, Mr Churchill stated in Parliament this week that he hoped to arrange a meeting of Empire Prime Ministers early next year.

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
May.....	584	733	1,317
June.....	201	284	485
July.....	167	210	377
August.....	108	164	272

Totals to date.... 49,965 59,379 109,344

Of those killed in August, 38 were men, 41 were women, and 29 were children under 16.

AMERICAN SURVEY

From Concentration to Monopoly?

(From Our Washington Correspondent)

August 2nd

IS the war programme consolidating monopoly in the American economy? Where is the small independent business going to be when this is over?

The phrase "concentration of industry" has largely been used in the course of the war programme to describe the assignment of current limited production of essential civilian goods—stoves, furniture, farm machinery—to certain firms (usually the smaller ones of the industry) in order to free other capacity for conversion to war uses, or to allow transfer of workers elsewhere if conversion is impossible. But concentration in this sense is a by-product. The outstanding concentration that has been going on is the concentration of the big firms on war orders—the General Motors advertisement concludes "Victory is Our Business."

Under the war programme, the country's dominant corporations have, with few exceptions, become more dominant. Analysis of the war supply contracts of more than \$50,000 in value made from June, 1940, through November, 1942—they added up to \$59,558 million—shows that 70.1 per cent of the total have gone to 100 firms. This list of 100 is topped by the following:—

	\$
General Motors.....	7,251,000,000
Curtiss Wright.....	4,613,000,000
Bethlehem Steel.....	2,954,000,000
Douglas Aircraft.....	2,373,000,000
United Aircraft.....	2,343,000,000

Thus the old giants have become more gigantic—the Bethlehem Steel figure, incidentally, represents mostly the company's shipbuilding activities; its supply of steel to other firms with war orders obviously does not show in an account of its direct contracts with the Government. And there are new giants in the land—the aircraft companies were relatively small businesses before the war.

The reasons why the dominant corporations have become more dominant are several. Concentration in industry is always most active either at the pit of depression or at the peak of production—within a decade, the US economy has seen both. At the start of the military expansion, the procurement divisions of the armed forces tended to channel orders through firms with which they had had previous experience. The succession of agencies which developed into the War Production Board were largely top-staffed by executives of major companies—Knudsen of General Motors, Nelson of Sears Roebuck, Wilson of General Electric. The attraction of bigness, of nationally known names, of existing assembly lines to which more could be added, were all felt.

A further reason why a main destination of funds for new facilities were the industries in which one, or a few, firms were dominant was because those industries had previously been so closely controlled as very nearly to equate productive capacity with the amount the peacetime market would absorb at a given price. A significant number of the acute shortages have been in fields of intense pre-war concentration—aluminium, copper, steel, lead; in the first of these, one

company has been dominant for years; in the second, three—and latterly those three have greatly expanded their proportion of the total output.

Last autumn, activity of the anti-trust division of the Department of Justice was resisted by business on the ground that if top executives had to spend their time preparing cases, energy would be diverted from the war effort. As a result an exchange of letters between the War and Navy Departments, the Department of Justice and the President provided that the Justice Department should submit proposed indictments to the Services—it has also, upon occasion, submitted them to WPB—and should refrain from prosecution for the duration of the war if, in the opinion of those agencies, prosecution now would hamper production.

But the effect of the current pattern of production on the shape of things to come is none the less a matter of public interest. Even in contemporary terms, the question has been kept alive by the fact that the small firm has had hard going. Government war expenditures are running at the rate of about \$7.7 billion a month (including pay, subsistence and travel for the armed forces). Consumer expenditures for goods and services are running about parallel; but they include sales of goods whose manufacture has been for some months shut down—inventories whose exhaustion, as Mr Whiteside, of WPB's Office of Civilian Requirements, recently pointed out, will cut available supplies by some 20 per cent come autumn. The country's smaller plants have therefore been forced to scramble for vanishing raw materials or to find a link with a big plant, to serve as a sub-contractor to a firm that has war orders. Since the head of every small business is somebody's constituent, interest in the problem has been widespread in Congress. Both House and Senate early developed a Committee on Small Business; and when the former began hearings in December, 1941, no fewer than 277 members of Congress appeared before it. Results of the deliberations include the Smaller War Plants Corporation, with \$150 million at its disposal. This organisation performs, for small companies, some of the functions that are self-financed by large corporations: as a Washington agent, to connect orders and plant capacities, as a technical adviser, as a managerial consultant. Units devoted to small business now operate in five agencies: in the War and Navy Departments, the Department of Commerce, the War Production Board, and the Department of Justice. The Reconstruction Finance Corporation Act has likewise been amended to provide certain means of easing hardships caused by freezing of inventories.

To some extent, these developments represent a change of technique in the public policy with regard to maintenance of the small firm. These new units offer positive means of aiding the small firm to improve its position. The units in both the Service branches and the WPB are charged with knowing what needs to be done that small business can do, and knowing what small businesses can do it. The unit in the Department of Justice receives complaints on, say, such subjects as discrimination in the supply of raw materials, investigates alleged abuses, attempts to straighten them out.

As a result of current developments, post-war economic policy-makers seem likely to have these questions on their hands: What permanent disposition is to be made of the publicly financed plant capacity now being operated under lease to private companies? (This question repeats, in

ramified form, the post-1918 question of what to do with Muscle Shoals, finally answered by the New Deal in the establishment of the Tennessee Valley Authority.) If production slackens off, will small firms either die on their own initiative or be absorbed and their capacity be retired by the big units in the industry? If production is maintained at a level high enough to prevent this, will there be control of a wide variety of markets through such devices as price leadership by concerns whose position the war has made more dominant? Is the result of present sub-contracting likely to be proliferation of vertical controls by manufacturers of end-products containing large numbers of accessories or of raw materials?

What about patents? Even before the war, the Temporary National Economic Committee, in its investigation of the concentration of economic power in the United States, noted the use of patents as a technique of domestic market control, and Bills were introduced in Congress looking towards the overhauling of patent law. International liaison of American firms with such Axis establishments as *IG Farben*, as indicated in indictments brought by the Department of Justice and consent decrees obtained, have given the subject additional interest since the US entered the war.

So far, answers to these questions have hardly begun to emerge. The record of the traditional American method of dealing with industrial bigness is a phoney record—phoney enough to provide a basis for Judge Thurman Arnold's ideas about social ritual. It is a record of a contest between public threat and private know-how. It is a negative record of prohibiting certain means of doing business, and regulating others, while leaving initiative as to the next move in business hands. The private know-how has been persistently active; the extent of the public threat has fluctuated with the popular temper and the popular temper has fluctuated with the economic condition of the time—alternating with anger at monopoly has been the American people's admiration of the process of mass-produced standardisation.

American Notes

The President's Lead

Mr Roosevelt's message to Congress, summarising the military and production position, has had a warm reception. In its massive array of facts and figures on the successes of Allied arms and the achievements of the American production programme there was little to which any critic could take exception. Mr Roosevelt evidently felt himself upon solid ground; and it was, perhaps, only human for him to seize the opportunity of pointing out that there are occasions, such as the negotiations with Italy, when the Administration is compelled to be silent under criticism. The fact that the Italian surrender may free Allied naval forces for the Pacific war underlined his emphasis on the fact that there is, in fact, only one war, and one basic strategy; that there is, indeed, no such separate entity as the "home front" divorced from war considerations. He was able, without detracting from the tally of achievements, to point out that final victory is still a long way off, and at the same time to urge on Congress the immediate study of demobilisation problems and of the provision of greater security for the returning soldier and the civilian. The President appeared, for the moment, not as a controversial figure, but in his most popular rôle, that of the successful Commander-in-Chief. In the country, at least as reflected in the Gallup polls, this is having an impressive effect. If the elections were held now, with Mr Roosevelt running for a fourth term, the poll suggests that he would have a 55 to 45 lead over Governor Dewey, who appears as the favoured Republican contender; 59 to 41 over Mr Willkie; and 58 to 42 over General MacArthur. This is a startlingly different picture from earlier election years when the President was at his low point at a similar stage and shot up to first place just in time for the decision.

The House Resolves

By the enormous majority of 360 to 29, the House of Representatives has placed itself on record as favouring the creation of appropriate international machinery with power adequate to establish and maintain a just and lasting

peace among the nations of the world and as favouring the participation of the United States therein through constitutional processes.

The last three words, which were not part of the original Fulbright resolution, were added by a Republican amendment and are intended to show that Congress has no intention of giving the Administration a blank cheque to arrange America's part in the settlement. The passage of the resolution is encouraging evidence of the need that Congressmen, fresh from their constituencies, feel of re-assuring their supporters of some measure of American collaboration. This is perhaps its main importance, for it is the attitude of the Senate, rather than that of the House, which specifically affects the issue; the House vote is only a heartening indication of public pressure. It is, indeed, possible that the Senate may pass a more vigorous version calling specifically for the use of force. The wording of the Fulbright resolution errs, if anything, on the side of caution; with its stress on constitutionalism it goes little beyond the Republicans' Mackinac statement. As Mr Ham Fish—no veteran Internationalist—put it, "No one can vote against the Ten Commandments." The first step has been taken towards participation. But the majority resolution commanded makes it plain that the real issues were not at stake. It is easy to pass well-intentioned generalisations about war and peace. It was done more than once in the 'twenties, in the resolution favouring the Kellogg-Briand pact, for example, which one observer characterised as "fighting howitzers with hymn books." It will be a sign that the heart of the matter has been reached when, after stormy debate, the majority can be counted, not in hundreds, but in tens or even ones and twos.

Budgeting Manpower

The whole weight of the Forces has been deployed before Congress to stem the passage of Senator Wheeler's Bill to defer the drafting of fathers until 1944. General Marshall has testified that to postpone the drafting of fathers until January would force changes in already determined military strategy. Admiral King estimated that nearly half the fathers to be called up would go into the Navy, Marines and Coast Guards, and that delay in their induction would be equivalent to delaying the entry into service of nine aircraft carriers. The eagerness of certain Congressmen to seize upon any alternative to the drafting of fathers was bluntly discouraged by General Marshall, when he rejected suggestions that the Army's physical and mental standards should be reduced or that the 446,000 men wanted might be taken from the production lines. He denied vigorously that the Italian surrender justified a further reduction of the Army's manpower goal from the present 7,700,000 wanted by the end of the year. Although the vote on Senator Wheeler's Bill has been postponed until September 28, the objections advanced by the Service witnesses have almost certainly guaranteed its defeat. It should not be imagined, however, that the heavy guns of the Forces had to be brought into play purely to stop a Wheeler whim. Senator Wheeler and his colleagues know what brings in the votes. A recent Gallup poll showed a 68 per cent majority in favour of drafting single men who are in essential war work before drafting fathers who are in non-essential occupations. The Service witnesses were talking to the country even more than to Congress. Meanwhile, the Baruch manpower report has been published, and committees are already being established in California to carry out its suggestions of community manpower budgets, the readjustment of war contracts, and the setting up of manpower priorities. Some figures recently published in the *Wall Street Journal* make it clear why the West Coast has developed the worst manpower crisis in the country. In the first five months of this year, about \$2,333 millions of additional war contracts were added to the very heavy procurement programme already carried by the Pacific States. More than half of these related to aircraft. Added to the shipping, ordnance, oil, lumbering, and agricultural demands for employment in this area, a manpower crisis was inevitable.

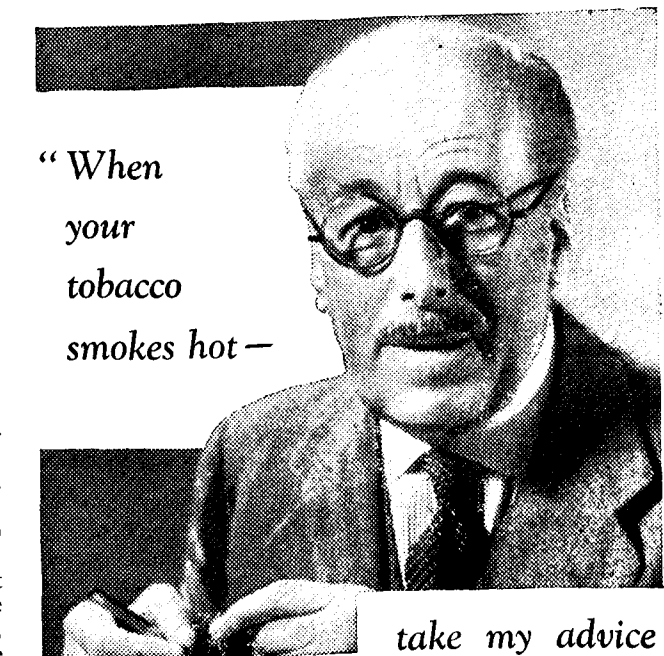
An Economic Foreign Policy

Walter Lippmann has now turned upon American foreign economic policy the same clear and realistic analysis which distinguished his consideration of the post-

war political scene in his book "American Foreign Policy." In a series of five articles in the *Herald Tribune* last month he finds that the major contributions the United States can make towards world economic stability are, first, the maintenance of full employment at home; and, secondly, the development of a foreign economic policy based upon a full understanding of the fact that the United States is now a great creditor nation and must act as such. It is his contention that the failure to find peace, order and steady prosperity after 1918 was due, as far as the United States was concerned, to three main causes: the dissolution of the alliance which had achieved the victory; the failure to realise that the maintenance of full employment had become a paramount necessity of domestic policy; and the unwillingness to act in accordance with the transition of the United States from a debtor to a creditor country. Recognition that the provision of employment has now become a primary national duty has percolated into the thinking of management as well as government; where the strain will come is in the choice of methods. Mr Lippmann points out that full employment can be attained in two ways: by a thoroughgoing collectivism; or by the operations of free enterprise carefully protected and regulated by a Government determined to avoid the tendency toward monopoly and to counteract the tendency to booms and crashes. This Mr Lippmann calls a "compensated economy," and he is firm in his insistence that free enterprise, by itself, will not be equal to providing full and steady employment. This is a point on which there will be loud disagreement from American industry. But Mr Lippmann's interest in full employment, in this connection, is not purely with its domestic aspect, but with its importance as securing that the United States will afford a good market for imports and not be unduly "export-minded" after the war. It is Mr Lippmann's thesis that

The basic principle of an economic foreign policy is that the foreign accounts of a nation must be brought into balance by ordinary economic transactions.

He is anxious because once more the United States is "getting ready, even getting committed, not to have an economic foreign policy after this war."



"When
your
tobacco
smokes hot—

take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100TH YEAR

INTEREST PAID HALF-YEARLY
INCOME TAX NOT DEDUCTED
AT SOURCE

**3% SAVINGS
BONDS**

1960-70

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

THE WORLD OVERSEAS

Russia's Triumphs and Tribulations

"THOU hast been poor, and thou hast been plentiful, thou hast been mighty and thou hast been helpless, Mother Russia"—so wrote a Russian poet once in an inspired invocation to his country and people. The triumphant salvos which are now being fired in Moscow almost every day announce to the Russian people and the world Russia's might. This might has shown itself on battlefields stretching hundreds of miles from north to south, which have moved tens and hundreds of miles from east to west. The advance continues. Compared with it, the Russian victory over Napoleon looks almost slight; this time the invader has not been beaten by the Russian climate, but by the Russian people. But the land through which the victorious armies are advancing has been laid waste in the course of many battles. Many great Russian and Ukrainian towns are now heaps of ruins; and innumerable villages have been razed to the ground. It is no wonder that, beside the joy at their victories, the Russians now feel acute anxiety about the future of their liberated territories. When and how can new life be built on the reconquered wilderness? This question is now uppermost in the minds of many Russians who once again see the old shadow of Russia, poor and helpless, creeping ominously behind the spectacle of Russia's might.

To the Frontier

The summer offensive has now lasted two and a-half months. Early in July, the front line ran east of Orel, skirted Kursk from the west, then turned to the south-east, beyond Belgorod and Kharkov, and formed a large bulge covering roughly the Donetz and ending close to the west of Rostov. When the summer campaign began, about four months after the winter fighting had ended, it was almost generally assumed that the battles of the Kursk and Orel salients were operations with only limited and local objectives. The fighting for Kursk revealed the strength of the Russian defence; for the first time the Russians proved able not only to halt a German offensive in the summer, but also to nip it in the bud. But nothing seemed to portend a summer offensive by the Russians themselves. The German line had been shortened by the retreat from the Caucasus and the Volga. It seemed that the four months' lull after the winter campaign had allowed the German High Command to replenish its reserves, to regroup its armies, and to complete the fortification of a defence zone built up during more than twenty months.

To the Attack

Yet the repulse of the German attack on Kursk was the signal for the first striking demonstration of Russian offensive power. On August 4th Orel fell. The first break in the "eastern wall" was made. Violent fighting soon flared up all along the front from Smolensk southwards. In the first stages, roughly until the end of August, the pace of the Russian advance was still relatively slow. The tide was still

beating against the hard outer crust of the German defence belt. The next break after Orel was Kharkov. At the beginning of September the pace of the offensive quickened. During the past three or four weeks the Donbass has been cleared; vast expanses of the eastern Ukraine have been freed; and in central Russia the advancing armies have surged forward and broken into the famous Smolensk gate, where the fate of Russia was decided in so many wars, and into the Bryansk gate, which opens the road to Belorussia.

Two weeks ago military experts were still wondering whether the Russians would be able, in the course of the summer campaign, to spring forward from Kharkov to the Dnieper bend between Zaporozhe and Dnipropetrovsk. The Russian advance is now nearing, not only that easternmost bend, but also the whole middle course of the Dnieper; at some points the Russians are already over 200 miles west

of Kharkov. From Melitopol to Chernikhov, with the exception of the Poltava sector, the front now runs almost parallel to the Dnieper, at an average distance of 20 to 50 miles. The line has been lengthened by at least 120 miles compared with its length at the beginning of the campaign.

What factors have made possible this tremendous advance? First, there is the fact of Russian superiority in manpower. Not fewer than 300 divisions—4 million men—have been thrown into the battle. The number of German divisions engaged on the eastern front has amounted, according to official Russian statements, to 212 divisions; and the number of satellite divisions has fallen from 60 in 1942 to 25. Of the 16 Roumanian divisions (of very low fighting value) some have been engaged in the Kuban, and the rest in police duties behind the lines. The Finnish divisions have been almost inactive this year. The loss of the other satellite forces—Italian and Hungarian—was again, according to Russian claims, made more than good by the addition of 33 German

divisions to the 179 divisions used in the offensive of 1942. This year, however, the German corps and divisions have very often been merely nominal units; and Russian reports frequently speak of "detachments whipped together from auxiliary forces." Even on the basis of nominal figures the Russian margin of superiority in manpower has been of the order of 50 per cent; actually, it has been substantially larger.

Masters at Arms

The other factor which has contributed to the continuous Russian attack has been a change in the technique of fighting. Reports repeatedly suggest a considerable "modernisation" in the weapons employed by the enemy. Fewer tanks and fewer aeroplanes have been employed by the Germans than at any time before. On the Russian side this year's victories have been the triumph of the gun. The concentration of artillery fire on some sectors of the front has been described by Russian commanders as ten times stronger than the concentration at Verdun in the last war;



and artillery will undoubtedly play the decisive rôle in breaking the German defences on the Dnieper itself, and in securing the crossings of the river. This is not to say that the tank and the aeroplane have been absent from the battle. The Russians seem, in fact, to have attained at least equality with the enemy in these weapons. But tanks and aircraft have been much less conspicuous than the gun. The Russian Command has shown the unfailing *coup d'œil militaire* in handling all sorts of arms—from the most modern to the most "primitive"—according to the requirements of the terrain. For the conquest of open steppe, it relied on the tank; for the reduction of strong points and fortresses, on the gun; and for the forcing of the swamps and forests around Bryansk, on cavalry.

The Victorious Pursuit

The further prospects of the fighting in the east seem now to depend mainly on two factors: on the capacity of the Russians to exploit their enormous gains in transport facilities in the reconquered areas; and on the weather. Weather conditions seem to be of second importance. The Russian High Command remains faithful to two Napoleonic principles—that "an army can march anywhere and at any time of the year, wherever two men can place their feet," and that "a general should never allow any rest either to the conquerors or to the conquered." The rainy season can in any case hardly hamper operations on the southern fringe, where a double threat to the Crimea may very soon develop from Novorossisk in the east and Melitopol in the north. The repair of the dense rail network in the eastern Ukraine is being tackled with vigour and urgency.

Whatever enforced interval there may be between the summer and the winter campaigns, the Russians are certain to resume their drive to the frontier with even greater force and speed. The distance between Melitopol and Odessa is roughly the same as the distance between Rostov and Melitopol; and the road from Kiev to the old Polish frontier is very much shorter than the road from Kharkov or Kursk to Kiev. Like Count Platov in 1813, another Russian general may write, in the not distant future, reporting on a victorious pursuit, that "the bones of the arrogant foreigners are scattered from Moscow to the Niemen"—and from Stalingrad to the Dniester.

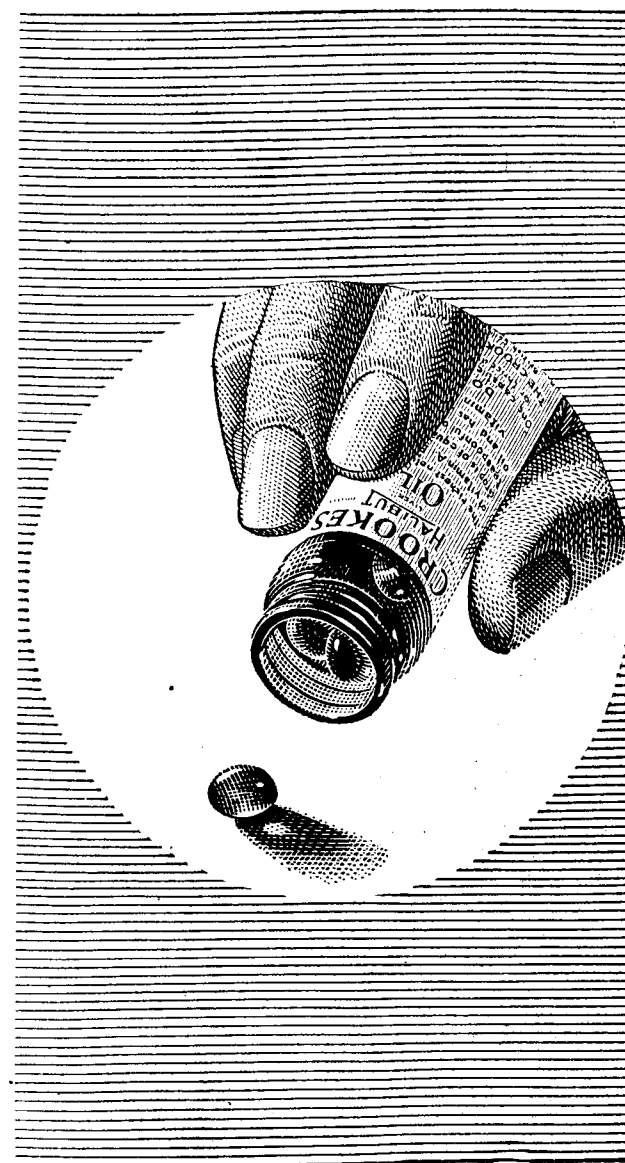
Building on Scorched Earth

On August 22nd, the Council of People's Commissars issued a decree on "immediate measures for the restoration of national economy in the districts liberated from German occupation." The decree, which filled several closely printed pages in *Pravda* and *Izvestiya*, is in many respects a unique document. It marks the beginning of the "journey back" of the civilian population to the liberated areas. It also reveals something of the desolation and impoverishment which those areas have suffered through war and German occupation. Their economic restoration has been centrally planned, and though the instructions say very little about the general principles on which the work of reconstruction is to be based, they provide an enormous amount of the most detailed and meticulous information about the first steps which are now to be taken.

Strikingly, the decree contains no hint about the restoration of the industrial life in the liberated towns. It deals almost exclusively with the rehabilitation of agriculture and railway transport, and with elementary tasks of housing and sanitation, without which no start can be made with reconstruction. The time for systematic industrial rebuilding has obviously not yet come. Most large-scale industries were evacuated, and their re-evacuation now would entail stoppages in production and upset the war economy. The urgent need is to protect local populations against famine and disease; and local agriculture now takes highest place in economic priorities. The decree shows that the Government has set out to attack the problem with the greatest determination and meticulous care. It also shows the grim situation and the inevitable limitations with which it is faced.

The Great Trek

The first chapter of the decree provided for the return of evacuated cattle to the collective farms in the provinces of Kalinin, Smolensk, Kursk, Orel, Voronezh, Rostov, Stalingrad and Stavropol. The total number of cattle, horses, sheep and goats to be re-evacuated is about 600,000; and in the last days of August an extraordinary and dramatic trek



EXTRA VITAMINS ESSENTIAL TO HEALTH

Colds and influenza cannot be resisted when your diet is deficient in vitamin A: the daily dose of Crookes' ensures you the necessary amount. Adults cannot keep healthy and children cannot grow up with straight bones and strong teeth without sufficient vitamin D: the daily dose of Crookes' keeps your supply well above the safety level.

This extra supply of vitamins A and D will work wonders in building up your resistance and stamina through this fifth wartime winter.

CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES—PER BOTTLE OF 100—8/6

LIQUID—PER PHIAL—ENOUGH FOR 16 DAYS 2/-

started from the remote interior of Russia, even from Asia. Throughout September the droves of cattle are moving steadily westward, and the trek is due to end on October 15th. Shortage of transport accounts for the fact that the animals cannot be carried by rail; they must be driven on foot for hundreds of miles, sometimes for more than a thousand miles, as, for instance, from Kazakhstan to the district of Voronezh. Veterinary personnel, in limited numbers, have been detailed from Red Army reserves to move with the herds, and various Government departments have been assigned the task of arranging crossings on the Volga.

The extent to which the returned animals will meet the needs of agriculture in the liberated areas can only be properly judged by comparing their total numbers with the pre-war numbers of cattle in the districts. The Orel district possessed 857,000 horned cattle in 1938; it is now to receive 21,000; the Smolensk district had 889,000 horned cattle and receives 48,000; it had 394,000 horses, and now receives 7,000. The table below shows for the main districts the percentages that the numbers of re-evacuated cattle bear to the 1938 totals:—

Province	Horned Cattle	Sheep and Goats	Horses
Kalinin.....	3.5	2.5	2.0
Smolensk.....	6.0	3.0	2.0
Kursk.....	0.3	0.9	0.3
Orel.....	2.5	5.0	2.0
Rostov.....	5.0	10.0	8.5
Stalingrad.....	1.5	3.0	1.0

These totals and percentages are not necessarily final. The Commissar for Agriculture has been instructed to inquire in the undevastated areas what other evacuated cattle have been left behind, and to "establish the number of additional cattle that should be returned." But it is probable that the "additional numbers" will not alter the picture very much. Some kind of compulsory redistribution of cattle between the various parts of the Soviet Union may, perhaps, be envisaged; but, even apart from the social difficulties of such redistribution, while this would tend to spread the incidence of the fall in the numbers of Russia's cattle, it could not remove the heavy effects of that fall on Russian agriculture as a whole. And some provisions of the decree, such as the obligation of farmers in the east to repay for evacuated cattle already slaughtered for deliveries of meat to the state, are very likely to cause friction.

The State of Agriculture

The small numbers of cattle to be returned are probably due to the fact that the original evacuation from west to east was much less successful in agriculture than in industry. Most of the cattle remained in the west in 1941-1942, only to be requisitioned by the Germans or to perish during the fighting. What is perhaps more surprising is the relatively small numbers of tractors (5-10 per cent of the pre-war stock in these districts) to be returned, and the great emphasis placed on supplying the farmers with horse-drawn ploughs. These other agricultural implements must be delivered by the People's Commissariat for Armaments which at the beginning of the war took over the factories producing agricultural implements, and converted them to production for war. Similarly the Supply Administration of the Red Army has been ordered to "allocate from booty" specified quantities of equipment to the reconstructed machine tractor stations in every liberated district—and thus to turn German swords into Russian ploughs.

Further instructions specify in great detail the number of the machine tractor stations to be restored; the materials and spare parts to be delivered to them; the cost of the transfer of workers, allocations of timber and other building materials for the construction of agricultural buildings and dwelling houses for "collective farmers, workers and employees, at present living in earth huts and ruined houses"; the limits of credit (10,000 roubles for a period of seven years) to be granted to families for individual residential buildings, and so on. The many details of the decree, which add up to a vivid picture of the entire position, convey the impression of incredible destitution, destitution which at times seems to be well below any possible standard of human needs.

Another significant feature of the decree is the obvious anxiety to preserve the collective structure of agriculture. In the areas now liberated, the German probably did not have the time to carry out the distribution of land among the peasants that they promised. But the collective farms may well be in danger of disintegration because of the lack of the material conditions for large scale collective farming, and especially because of the lack of tractors. The danger is now

met by the offer of inducements to collective farming such as exemptions and lower rates of taxation in kind, and the institution of fresh deterrents to individual farming, whose delivery quotas are now 30 per cent higher than those of the collective farms.

Some of the rates of deliveries fixed in the decree show the very critical position in regard to this year's harvest. The grain delivery to the Red Army's Corn Fund by the farms of the Kursk province was planned in July at 560,000 tons; in August the rate was reduced to 250,000 tons; and the pre-war grain delivery of this province was 1-1.5 million tons. The Stalingrad province has been exempted from the delivery of most crops; and its arrears from previous years have been written off.

A special chapter is devoted to "measures for the reconstruction of railway stations, halts, signal boxes and other railway buildings." The work is to be carried out by special battalions of railway troops as well as by the populations of the recaptured areas who are liable to be mobilised for that purpose for the duration of the work.

The Issues of Policy

The sharp contrast between military victories and economic desolation is likely to weigh heavily upon the political mood in Russia for some time to come. The triumphs of Russian arms have given rise to strong feelings of national pride, which sometimes tend to develop into an exalted nationalism with a distinct isolationist tinge. The possibility that this state of mind may colour Russian thinking on matters of post-war reconstruction can by no means be ruled out altogether. What the decree on the immediate measures of reconstruction has revealed is the absolute inadequacy of any isolationist approach. The rehabilitation of the liberated areas with the sole help of Russia's own domestic resources would meet with the greatest difficulties. Not even the most efficient planned economy can work miracles in the prompt increase of a decimated cattle population. It should not be forgotten that this is the second catastrophe of its kind that Russian agriculture has suffered within fifteen years—the first one took place during the years of compulsory collectivisation.

There is no evidence so far that any policy on the ways and means of reconstruction has crystallised in Russia. The new decree is hardly more than a short-term, though amazingly thorough, measure to meet the most urgent needs of the moment. Its most characteristic feature is purely administrative and empirical approach. As the victory draws nearer, however, the pressure of economic facts calls for a broader formulation of Russia's programme of reconstruction. This, in its turn, involves the linking up of domestic economic issues with international problems. Russia will unavoidably need the aid of foreign economic resources in the rebuilding of its agriculture, and in the switching over of its industries from peace to war. Indications so far suggest that two parallel lines of action are being contemplated in Moscow. One is directed towards economic co-operation with the Allies; this line of action has found its most distinct expression in the attitude of the Soviet delegation at the Food Conference at Hot Springs. The other is to shift at least a part of the burden of reconstruction on to the shoulders of the defeated enemy, by compelling him to pay reparations and indemnities for the damage done to Russia.

Reparations Demanded

It is highly significant that Moscow has so far been the only Allied capital in which the demand for reparations has been firmly and unequivocally stated. An official Commission has for some time been preparing the list of Russia's material losses, and assessing their size in terms of finance. Ideological considerations, which in the past caused Russia to take a hostile attitude towards reparations under the Versailles Treaty, have now been discarded. The case for reparations was recently stated by Professor Varga, the former chief economist of the Communist International, who bitterly criticised the Versailles reparations for more than twenty years. Professor Varga now declares that Germany could easily have met its financial obligations after the last war, and that the burden of reparations was a myth. At the same time, the Russian economic spokesman has raised the problem of reparations not only for Russia, but also for all the occupied nations. The question is still open whether Russia will ultimately put the stronger emphasis, in its reconstruction programme, on economic co-operation with Allies or on reparations from Germany.

Controls in Canada

(From Our Ottawa Correspondent)

September 1st

THE frank admission by Mr Donald Gordon, chairman of the Wartime Prices and Trade Board, that "our efforts at price control are slipping" has drawn attention sharply to the serious threat that has arisen recently to price ceiling and other control policies. In part, the threat arises from a psychological let-down experienced by the Canadian people with the conviction that the war is practically won. Warnings that hard fighting and reverses may still lie ahead have had little effect in Canada. After four years of war, in the last two of which the restrictions on civilians have been steadily tightened, the people of Canada have begun to behave as if the fifth year will bring peace and the beginning of an end to the controls. To some the simple remedy would be a few bombs dropped on Canadian cities. But no bombs have been dropped in Canada and none are likely. The controls, if irksome, have not involved serious sacrifice. "The plain fact is," said Mr Gordon, in a moment of blunt speaking, "that the great majority of Canadians living comfortably at home are better off right now than they ever were before the war."

The political implications of this new and fierce grumbling against the controls provide a first-rate crisis for the Government. The Co-operative Commonwealth Federation, real winner in the recent Ontario election and in two Federal by-elections, is openly ascribing its success to opposition to the controls, especially on farm prices and wages. The new party in Quebec, *Le Bloc Populaire Canadien*, openly campaigns for a more limited war effort. The Mackenzie King Government has suffered a greater slump in public esteem than at any other period in the war. The conscription crisis of 1942 was fair sailing compared with this. Moreover, the belief that an end of the war will bring an end of controls is obviously mistaken, for the shortages of supply that make control necessary cannot be repaired immediately.

The failure of public support, now frankly conceded by the price controllers, has coincided with a period in which price control is under its severest test. Civilian stocks are shorter than ever before. Inventories have been exhausted. The surplus in purchasing power has risen steadily in a great tide sapping at the dykes of price control. The Wartime Prices and Trade Board estimated that, in 1942, individuals' income amounted to \$6,850 million, of which \$600 million went to personal taxes, \$4,450 million to goods and services, leaving unspent income of \$1,800 million. For 1943, the estimate tentatively shows individuals' income of \$7,600 million, personal taxation of \$950 million, expenditure on goods and services of \$4,050 million, leaving a residue of \$2,600 million for savings and investment.

The record of Canadian price control, up to the present, has been excellent. The Brookings Institute reported recently that the Canadian programme of economic stabilisation had restrained the rise in living costs to 17 per cent, while in Great Britain the rise was 28 per cent and in the United States 26 per cent, since September, 1939. At the end of four years of war the cost of living index had risen 17.9 per cent; in the corresponding period of the last war, 54.5 per cent. During the past two years, since the price ceiling was established with September-October, 1941, as the base, the rise has been less than 3 per cent.

The restrictive effect on farm prices and on wages, the two central issues of price control controversy, has been greatly exaggerated in Canada. This is due, in part, to the propagandist effect of the ceiling itself. The belief prevails that the economic position of virtually every person has been frozen for two years, but the evidence is all the other way. The ceiling control has been concentrated on consumers' prices, and maintained by subsidies and by the "squeeze" of production costs. But both farm prices and wages have risen, and this is admitted frankly.

The war has brought a steady improvement in the economic position of Canadian agriculture. Farm prices in 1943 have been 43 per cent higher than in 1939. If wheat is excluded, since wheat is a special case affected by over-production even in terms of war demands, the farm price level is 50 per cent above 1939. In addition, the transfer from wheat to other crops in the west has been subsidised,

and production subsidies, minimum prices and forms of market support have been applied to virtually all important farm products. At the same time, farm production has increased by 25 per cent on the whole since the start of war, and, in some items, many times that amount. Farm prices are 7 per cent higher than in the 1926-29 boom period. The result of higher prices and increased production is the highest level of farm income in Canadian history. In 1942 farm income reached \$1,140 million, the highest figure on record. In addition, subsidies on production amounted to \$100 million. The 1943 farm income is not likely to be less, though possibly not much more.

As far as wages are concerned, the complaint that they were frozen at an unfair level is one of the current illusions of Canadian politics. The Department of Labour's weighted index number of wage rates rose from 105.3 in 1939 to 108.4 in 1940 and to 119.2 in 1941. Since June, 1941, the Department has compiled average per head earnings in eight leading industries, and the figure rose from \$25.25 per week in the first report to \$30.70 per week in March, 1943. In percentages, the weighted index of wage rates rose 19.2 per cent from 1939 to 1941, and the average weekly earnings by another 21.5 per cent from June, 1941, to March, 1943. In this period the cost of living index showed a rise of 17.2 per cent.

But this is not all. The National War Labour Board has granted 89 per cent of the applications coming before it for wage increases, and the total granted has amounted to \$79,237,104 a year among 1,567,063 workers. This includes cost of living bonuses in certain cases, but, in addition, a general cost of living bonus of 2.4 points, averaging 60 cents a week for 2,500,000 workers, was ordered by the Government in August, 1942, and still prevails. This added at least \$80 million more to Canadian payrolls. Reasons for increased earnings are found in longer hours, overtime, increased production at piecework rates, upgrading and promotions to higher-paid classifications.

The effect of price control upon the consumer, even while farm prices and wages have risen, is best illustrated in the fact that the price of bread (based on ceiling control of the price of flour) represents the cost of wheat at 77.8 cents a bushel. Actually, the market price of wheat is \$1.10 a bushel, and the difference is absorbed by the Government as a drawback to millers. This is a form of subsidy for the consumer. The present discontent with controls in Canada is founded not on economic injustice or unfair controls, but upon conditions of relative prosperity both in agriculture and labour. Since the attack exists almost entirely on the left, the real meaning of it must be found in political reasons, mainly the demand to utilise wartime controls as an agency to promote the advantage of certain groups, such as the farmers and the wage-earners.

Roumanian Harvest

[BY A CORRESPONDENT]

EVEN in peacetime, agricultural statistics published in Balkan countries were unreliable estimates. Since the beginning of the war, estimates both of the area under cultivation and of the yield have become instruments of political propaganda, and the frequent changes in the frontiers since 1940 were made use of to create confusion. Nevertheless, it can be said that this year, as in other Balkan countries,

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

Roumania's cereal harvest has undoubtedly been favoured by the weather, and there is no reason to doubt that there was a good yield of wheat. The weekly bread ration has already been increased from 3½ lb. to 4½ lb. If the maize harvest is only average, it can be estimated that the wheat surplus will amount to some 700,000 tons. It would, however, be wrong to assume that the entire surplus will be available for export to Germany. Agricultural experts in Turkey, reporting on the agricultural situation, estimate that Roumania may perhaps be able to export from 200,000 to 400,000 tons of wheat. Roumanian agricultural authorities seem to favour a policy of husbanding the wheat surplus, and every effort is being made to complete the twenty-seven grain silos which have been under construction since last year. In spite of the good harvest, the control of deliveries has been tightened and the peasants' threshing activities are already controlled so far as is possible in a country predominantly farmed by smallholders. For this purpose, a threshing control book has been introduced.

Official reports state that the 1943 plan for cultivating 11.5 million hectares was fulfilled. The plan laid down the following acreages for the main crops:—

(In '000 hectares)			
Wheat	3,000	Pulse	500
Maize	4,000	Cotton	100
Oilseeds	600		

The remaining acreage is divided between barley, oats, potatoes, sugar-beet, and tobacco. These are the figures published by the Minister for Agriculture, Aurelian Parna, who was replaced a short time ago by E. Marian. It can be doubted whether these figures are correct. The actual acreage under maize, for instance, is probably much smaller and may not even have reached 3,000,000 hectares.

It is, however, confirmed that the agricultural situation showed some improvement this spring. Germany delivered a considerable part of the agricultural machinery promised in former agreements, and the large-scale cultivation of the plots of smallholders combined in the so-called "Village Communities" enforced by the Government last year may have had some good results. There are now 203 of these Village Communities comprising 37,726 hectares owned by 6,400 members. German influence is largely responsible for a considerable increase in the cultivation of oilseeds, flax, hemp, potatoes and sugar-beet. But the experiment in large-scale cotton growing seems to have been a failure, whereas the cultivation of rice is reported to have had some success.

German Aims

The good wheat harvest has placed Roumania in a difficult position. Germany will naturally try to secure as much as possible of it. The Roumanian Government, on the other hand, must first try to buy up the harvest. Legally, only the State Purchasing Co-operatives are entitled to buy up the harvest, but this would mean that the Government would have to provide at least Lei 30,000 millions. Budget resources are not available, and the inflationary issue of banknotes for the purpose would gravely impair the already precarious financial and currency situation. German representatives will undoubtedly use this argument to exact as much wheat from Roumania as possible. In this respect, Germany is still in a favourable position because of the long-term credits, amounting to Rm. 600 millions, which were granted some years ago. If, however, the actual food supply situation is considered it is clear that Roumania would have no difficulty in consuming the greater part of what is termed, under conditions of rationing, an exportable surplus.

During the war, cultivation has shown considerable changes, and from 1940 to 1942 war conditions, combined with unfavourable weather, produced a series of bad harvests. The effect on the livestock population may be seen by the following official figures published a short time ago. The livestock population was as follows:—

(In '000)			
	1940	1941	1942
Pigs	7,970	9,330	2,400
Cattle	2,550	3,400	3,760
Sheep	7,920	9,300	9,780

The enormous reduction in the pig population was caused by the failure of the maize harvest, though the emergency slaughter which ensued eased the position of meat supplies for some time. The increase in the cattle and sheep population reveals the result of German pressure. Germany

encouraged this increase to the disadvantage of livestock breeding in Western European countries, particularly Denmark and Holland, where the livestock population could only have been granted supplies of feeding-stuffs from Balkan countries. This is, however, not the only explanation. The increase in the cattle and sheep population is also due to the fact that the peasants, who had to deliver cereals at fixed prices, found livestock and meat prices more remunerative when set against the general increase in prices. Unfortunately, Roumania no longer publishes wholesale price statistics. The index of the cost of living shows, on the other hand, a 300 per cent increase during the period from August, 1939, to June, 1943. Price control is thus largely fictitious.

This tremendous increase in prices makes Roumania's trade with Germany extremely difficult. Four years ago Germany fixed a very favourable exchange rate, which it cannot change at the moment because of its own financial situation. On this basis, Germany is forced to pay nominally exorbitant prices for Roumanian exports, whereas Roumania could, in theory, import German manufactures at very cheap prices compared with the internal price level. No satisfactory solution has been found at the moment. The system of price equalisation which has been introduced in foreign trade between Germany on the one hand and Italy, Hungary and Bulgaria on the other has also been introduced in trade with Roumania. But the price changes and the ineffective price control in Roumania seem to be a serious obstacle.

Portugal's Foreign Trade

[FROM OUR LISBON CORRESPONDENT]

August 24th

FROM figures (provisional but reasonably accurate) covering 1942 trade an interesting comparison of Portugal's imports and exports, classified in geographical groups, may be made. It should be borne in mind that tonnage as well as values must be taken into account and also the fact that imports of great weight and low value—e.g., coal—may, by their sudden diminution, give a false impression:

	IMPORTS (IN VALUE)		
	1938	1942	Total 3 Years 1940-42
United Nations.....	£ stg. 8,210,000	£ stg. 8,640,000	£ stg. 32,700,000
Axis and Occupied lands	9,660,000	3,970,000	12,450,000
Neutrals (chiefly Sweden and Switzerland)	1,790,000	3,580,000	9,420,000
Portuguese Colonies.....	2,349,000	5,660,000	12,930,000
Unspecified Origin	1,030,000	3,000,000	6,440,000
	23,030,000	24,850,000	73,940,000

Thus, in the three years 1940, 1941 and 1942, supplies from the United Nations accounted for 44 per cent in value of the total against 17 per cent from Axis sources during 1940-42. The main reductions in tonnage compared with 1938 were as follows:

	Tons	
	1941	1942
(Decrease on 1938 Totals)		
Coal	467,000	663,000
Oils	15,000	153,000
Timber	62,000	96,000
Iron and Steel	58,000	68,000
Manufactures and machinery	38,000	33,000
Total decreases	640,000	1,013,000

Exports, which in 1942 were almost four times as great in value as in 1938, are tabulated below:

	1938	1942	Percentage Increase
	£ stg.	£ stg.	
United Nations.....	3,370,000	14,590,000	333
Axis and Occupied lands	4,490,000	11,840,000	164
Neutrals (chiefly Switzer- land)	1,640,000	7,360,000	348
Portuguese Colonies.....	1,370,000	4,500,000	228
Unspecified	540,000	1,000,000	85
	11,410,000	39,290,000	244

In volume, exports show great reductions during the past two years; there was a drop in pyrites and other items of great weight and small value, whereas items such as wolfram, tin and preserved fish account for big increases in value.

THE BUSINESS WORLD

Scotland's Industries

BEFORE the war, the whole of Scotland was in danger of becoming a depressed area. Though the part of Scotland scheduled as "special areas" comprised only three counties—Dumbarton, Lanark (excluding Glasgow) and Renfrew—and sections of Ayr, West Lothian and Midlothian, it contained roughly a quarter of Scotland's total population. Scottish industry is very highly localised, and the fact that most of its eggs were in the basket of heavy industry meant that Scotland was hit even more severely by the industrial depression of the early 'thirties than its more diversified neighbour, and was consequently slower to recover. The re-armament programme brought fresh life to heavy industry and shipbuilding—unemployment in the Scottish special areas fell from 95,000 in 1934 to 58,000 in 1937. But such industries as textiles, which were largely dependent on the export trade, did not share in the general recovery, and schemes for bringing light work to depressed regions developed less rapidly in Scotland than elsewhere. Firms were reluctant to establish themselves north of the border; the Hillington trading estate, near Glasgow, was not started until 1937; and in April, 1939, there were still 240,000 unemployed in Scotland.

The recovery that the war has brought to the industrial north is reflected in the unemployment figures. In April, 1942, there were only 24,000 unemployed in Scotland, a tenth of the figure three years before, and by July, 1943, the number had dropped to 16,000. Heavy industry, iron and steel, general engineering, shipbuilding, ship repairing and marine engineering have been working at full capacity. The once silent yards of the Clyde are again alive with activity. So, too, are the smaller, but none the less important, yards on the east coast. The chemical industries have provided mounting employment. Explosives production, already sizeable before the war, has been expanded and all manner of propellants and bombs are made. Nitric acid, formerly imported from South America, is now produced synthetically both for the manufacture of explosives and for soil fertilisation. The production of aluminium, chromium compounds and magnesium, required for light alloys and incendiary bombs, has been enormously increased. Scotland is also making medicinal chemicals, such as sulphonamide and anti-malarial drugs which act as a substitute for quinine. A huge building and civil engineering programme, for the construction of defence works, aerodromes, docks, wharves, seaplane bases, storage dumps and military camps, mainly in the remote regions of the Highlands, has made heavy demands on building labour.

But Scottish industrialists still complain that Scotland has been relatively neglected, both in the original planning for war production and in the progressive adaptation of industry to meet strategic requirements. It had no shadow factories, and did not receive its fair share of new aircraft factories, which were largely concentrated in the south. In 1941, whereas £70 million were spent on new buildings in Great Britain, Scotland received only about £5 million—less than half the Goschen proportion of 11/80ths. It is alleged that Scotland has tended to become a universal dumping-ground. Out of nearly 5 million square feet of floor space released in Scotland by the concentration of industry in 1941, 91.7 per cent was used for storage, against only 8.3 per cent for production. The concentration on heavy industry and the relative scarcity of light engineering work led to the transference of women to England, where their labour could be more speedily and productively used. In all, some 13,000 mobile women have been moved from Scotland, the majority during the first 2½ years of war. This transference of labour is a very sore point in Scotland, and one on which the Scottish Nationalists have been quick to fasten. After the steady drift of population to the south in pre-war years, the Scots are afraid that their country will become permanently depopulated. It is not so much

resentment at Scottish girls working in England as the fear that they may settle down there, with "Sassenach" husbands.

Several reasons are advanced for the alleged failure to recognise Scotland in the war economy. One has undoubtedly been shortage of suitable buildings. Even before the war, this impeded the development of lighter industries, since firms preferred to take up-to-date premises in the south, rather than old factories and mills equipped mainly for heavy engineering work and far removed from the more prosperous centres of population. Parent firms have naturally tended to establish extensions or ancillary plants in their own neighbourhood; and the overloading of the transport system and the method of railway charges have probably also acted as a deterrent. Considerable importance is attached to the psychological factor. Complaints are made of an attitude of mind in Whitehall which tends to place new work within easy reach of London, since business men dislike the idea of a night train journey when they can reach the Midlands in an afternoon. It is difficult for the outsider to judge how much substance there is in these allegations, or where the blame, if any, should be placed. It may even be that Scottish industrialists were not sufficiently awake in the early stages of planning for war production, or that a tinge of conservatism on both sides prevented the adaptation of resources to newer war purposes. But there are undoubtedly some real criticisms to be answered.

To MEMBERS of the Scottish Widows' Fund

In the past 126 years members have
invested nearly **£95,000,000** in
premiums.

During the same period over
£100,000,000 was paid to members or
their families and the Society still holds
£35,000,000 out of which to pay the
claims of existing members as they
arise.

Increase your stake in this strong
old mutual Society. In most cases
new with-profit policies cover **CIVILIAN**
WAR RISKS WITHOUT EXTRA
CHARGE.

Write to your agent or to the Secretary,



**SCOTTISH WIDOWS'
FUND**

Head Office:
9, St. Andrew Square, Edinburgh, 1

Nevertheless, a considerable amount of new industry has in fact been brought to Scotland. Especially since 1942, the southward trend has been somewhat reversed. Between 160 and 170 new projects, giving employment to about 25,000 people, have been developed since the war. Scotland may have missed the first two waves of aircraft production, which brought manufacturers to the Midlands and to Lancashire; but the third wave, involving the manufacture of aircraft components and accessories, has reached the north. About a dozen concerns in the south, manufacturers of aircraft and components, have opened, or are opening, factories in Scotland. One firm from the London area is making "jerricans" (a type of unburstable petrol can which was captured from the Germans after El Alamein) by mass-production methods, and largely with female labour. Other branches of light engineering recently introduced include ball bearings, machine tools, radio electric equipment, electric batteries, gunsights and paper condensers. An important new development is the manufacture of pre-fabricated ships. Some months ago, it was decided that convoys of merchant ships should have more protection; the normal yards were overloaded, and it was necessary to turn firms which had hitherto made carpets, linoleums and similar products, to building sections of ships. On this work, as in many branches of light engineering, female labour is largely used. But even in heavy industry, the proportion of women has increased—about 16 per cent of the iron and steel industry's labour force consists of women—and in the shipyards many of the initial prejudices against the introduction of female labour have been broken down.

The changes in the production programme are themselves giving fresh headaches to the Scots. A large proportion of their factories are engaged on Ministry of Supply work. The cuts in this department's programme may again upset the geographical balance, while the priority given to aircraft may involve fresh transfers of labour to aircraft factories in the south. Scotland still has some reserves of mobile labour, but the policy of taking work to the workers is difficult to adopt at this stage of the war. It is claimed that there has so far been singularly little difficulty in re-absorbing surplus labour and that the production changes are operating smoothly. On the other hand, there are many criticisms that labour, which could be engaged on useful work in Scotland, is still being transferred to England. Complaints of this kind were made by Scottish delegates at the Trades Union Congress, and last week, at a representative meeting called by the Glasgow Trades Council, grave concern was expressed at the effects of the shift in priority. There is no doubt that this issue will assume very large proportions in the near future, when the full effect of the production changes are felt.

Scotland has benefited considerably from the Ministry

of Labour's wartime legislation to improve working conditions. But there is evidence that the strain and stress of long hours is beginning to tell. In 1942, there were 42,000 reportable accidents in Scotland alone, compared with 21,134 in 1939. Most of the larger firms now have works canteens, but the smaller firms still present a problem. There has been a satisfactory extension of works' medical services and industrial health arrangements. Co-operation between workers and employers over production matters and the establishment of joint production committees seem to have lagged behind the rest of the country, but an increasing number is now being set up and the committees have undoubtedly done useful work. The same cannot altogether be said of the shipyard committees, which have only recently been allowed to discuss production; and there is a tendency among some managements to resent the intrusion of the workers into their province and to belittle their contribution. The signs of industrial unrest, which are now appearing throughout the whole country, are particularly marked on Clydeside, with its tradition of bitterness and struggle. Until the recent outbreak of strikes, the Clyde had been, on the whole, happily peaceful.

Any picture of wartime Scotland would be incomplete without some reference to the vast hinterland of moor, loch and mountain. For obvious security reasons, little can be said, except that it offers admirable terrain for military and naval exercises, and has been fully exploited for these purposes. The contribution of Scotland's forests and farms to the war effort has been substantial. A considerable proportion of the softwoods necessary for war purposes comes from Scotland, and the numbers engaged on timber production have increased by about 350 per cent since the war. Were it not for Scottish supplies, the nation's timber position would be very serious. Agriculture, Scotland's largest single industry, has been greatly expanded. The average farm unit is small, but there have been considerable improvements in efficiency and an increased use of machinery. In Aberdeenshire, for instance, the North of Scotland College of Agriculture arranges training courses for farmers and sends specialists to advise the local farmers, who have, on the whole, been receptive to new methods and technique. In this county, which contains one-fifth of Scotland's arable land, 44 per cent of the land was under the plough at the beginning of the war; this proportion has now been increased by half as much again.

In sum, the war has brought full employment to Scottish basic industries, and it has also hastened the development of light industries, though Scotland considers that this development has been far too slow and that its productive resources are not yet fully harnessed to the war effort. A major concern at the moment is how the present activity can be maintained and improved after the war. Some of the plans for meeting Scotland's problems in the post-war period will be discussed in a second article.

Business Notes

Dear Money Spectre

On certain days of this week the money market has been hard put to satisfy its essential credit requirements from the banks, and the special assistance of the Bank of England brokers has had to be obtained. The occasional spasms of stringency which punctuate the otherwise placid life of the money market have led some commentators to ask whether the credit position is not being driven on too tight a rein; and whether, indeed, the cloven hoof of the dear money school is not to be discerned in the recent history of Lombard Street. Looking at that history in broad retrospect, there is no vestige of justification for this accusation. The credit basis has been kept sufficiently broad to meet the needs of the market, and to allow the banks to sustain the superstructure of credit demanded of them by the claims of war finance. If, on many days, the supply of credit has been inadequate to meet the requirements of the market, it is because the exceptional scale of Government disbursements and revenue makes the task of the day-to-day balancing of these two compensating streams one of extraordinary difficulty. The attempt is made weekly, when decisions are taken regarding the scale of floating debt borrowing for the ensuing week. Though the fullest possible information is given by the various Government departments on the size of the revenue and expenditure for this period, accidents are

bound to disrupt the plans made to achieve the required equilibrium. Moreover, the exact day-to-day balancing of the credit position may be upset by the latitude which is given to the banks in choosing the days of the week on which they make their Treasury deposit receipt payments. Any temporary unbalancing of this Government turnover of funds is bound to be felt in the short loan market, one of whose functions it is to take the shock of such disequilibria and to absorb them. This absorption is now a comparatively painless process, and merely consists in selling bills to the Bank of England broker at the rate at which they would be sold to the banks.

Speculation Once More

Judged by the number of bargains received, the Stock Exchange has experienced a further considerable increase in business. On the basis of these figures, the improvement has occurred, mainly, in two sections: foreign bonds and South African gold-mining shares. In addition, there have been some rather sharp fluctuations in Government stock, but these do not leave the general picture in that market much changed. The revival of interest in foreign bonds occurred mainly in South American securities and is plainly traceable to the news of the Argentine repatriation

and to talk of the Brazilian proposals, of which no details are available. Some of this buying is frankly speculative and must be put in the same class as the rush into Kaffirs, which is being more and more concentrated upon those ventures about whose future the least is known. Meanwhile, the main sections of the market show very little change in the general level of quotations. There is a growing realisation that the prospects of international agreement in the economic field are less good than it was hoped they might be. Now that the time has come for discussions and the reaching of decisions, delays induce a pessimism greater, perhaps, than is really called for. Whether this is so or not, the atmosphere of doubt engendered is inimical to a rise in equities whose yields already discount a considerable measure of recovery. No doubt, pressure of money will cause a fresh rise in due course, but for the moment the new money seems to be going mainly into speculation. The prudent investor is holding his hand.

* * *

Road Hauliers Combine

The conflict of interest between the professional haulier and the ancillary user, the small average size of the unit of management, and the specialisation of traffic have long stood in the way of the collective organisation of the road transport industry. A number of national organisations grew up before the war, representing mainly sectional interests, but these are neither comprehensive in membership nor organised on a clear-cut functional basis. Last week, after prolonged discussion, the following seven national organisations at last agreed to merge into one "powerful federation, thus making it possible for the road transport industry to speak with one voice."

Associated Road Operators; Commercial Motor Users' Association; National Conference of Express Carriers; National Association of Furniture Warehousemen and Removers; National Road Transport Employers' Federation; Scottish Carriers' and Haulage Contractors' Association; Scottish Commercial Motor Users' Association.

Steps are now being taken to organise the industry on a functional basis and to group it into three sections; the Road Haulage Organisation, for public road carriers; the Traders' Road Transport Association, for ancillary users; and the Passenger Vehicle Operators' Association, for passenger vehicle operators. According to the plan, these three sectional organisations would combine to form the National Road Transport Federation. A new road transport organisation, representative of the whole as well as of the parts, has many potential advantages, so long as it is neither exclusive nor inclusive by compulsion, and so long as it is not used for the purpose of making transport dear to the consumer by collective rate agreements between road and rail.

* * *

Argentine Debt Repatriation

The Argentine Finance Minister has announced that he proposes to set aside 500 million pesos to repatriate external bonds of the republic. To this end the exchange resources, and particularly the sterling, accumulated by the Argentine central bank will be used, and the peso equivalent of the repatriated debt will presumably be floated in the form of internal loans. The wartime trend of Argentina's foreign trade has created for that country an exceptional accumulation of foreign exchange assets. In the main this is a sterling phenomenon, because whatever dollars have been acquired as a result of the lack of balance in Argentina's trade with the United States have been promptly converted into gold. No such automatic conversion rights apply to the sterling balances which have been accumulating in the Argentine special accounts in London. According to the 1942 report of the central bank, these balances amounted to £17 millions at the end of 1941. By now they have risen to about £42 millions. The sterling equivalent of the 500 million pesos debt repatriation is slightly over £30 million, and it will thus be seen that even if the whole operation is to be focused on sterling debt, the means to carry it through are abundantly available.

* * *

Future Policy

Argentina's decision to repatriate some £25 million of its sterling obligations caused a rise in Argentine Government stocks, a marked improvement in the first debenture

tures of the Cordoba Central Trust and an even more spectacular jump in the "C" stock of Argentine Transandine Holdings. These two concerns hold the two groups of railway stock which the Government is proposing to pay off. There is no information yet about the method of effecting the redemption, whether by vesting or by individual offers. The redemption of these and other stocks, already envisaged to a total of £14 millions, poses a difficult problem for the investor. There is very little in the way of South American bonds that can replace an issue carrying the guarantee of the Argentine Government, and there are few British industrial debentures which give a comparable yield. The operation marks a further stepping down in the return obtainable outside frankly speculative holdings. Among the stocks to benefit from the news were Argentine railway securities. During the war the British Government has, more than once, let it be known that it favoured the repatriation of public utility holdings, and particularly the railways, as a means of liquidating the accumulation of sterling balances. It is also evident from repeated statements, official and unofficial, that Argentina favours a policy of freeing herself from the payment of interest and dividends on foreign capital and the use of the money to import capital goods which will be owned by her nationals. Hitherto the Argentine authorities have concentrated upon redeeming debt whose service was being met. If there remains, as seems probable, a surplus of sterling after this process is complete, they will be faced with the choice of taking up securities which are not in any sense Government obligations or of using the funds to import capital goods. The latter alternative can scarcely be available until some time after the end of hostilities, and it is very probable that the treatment of the railway, and other public utility stocks, in British hands will depend in no small degree upon the estimated duration of the war and the expectations about the volume and nature of Britain's demand for Argentine goods, for Argentina is at present wedded to bilateral trade agreements which leave little room for the benefits which flow from the division of labour in its fullest manifestations.

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

The China Gold Incident

Mild surprise has been caused by the Chungking announcement that the Chinese Government has decided to convert into gold the \$200 million balance of its \$500 million dollar credit granted by the United States in 1942. The first interpretation of this move was that the Chinese authorities, finding it impossible or unnecessary to use the dollar resources in financing imports from the United States, now that the essential flow of goods is covered by Lend-Lease, thought it wiser to hold the unutilised balance of the credit in gold. This, it was assumed, would be earmarked in the United States, awaiting reconversion into dollars until such time as wartime restrictions on the transport of goods into China had been eased. If this interpretation did not altogether tally with the alleged objective of the operation—"to arrest inflation in China"—it was assumed that the Chinese authorities had introduced this justification as a polite afterthought, intended to remove any slur on the future of the dollar which their first action might have been held to convey. Subsequent elaboration of the news from Chungking, however, calls for new interpretations of this dollar-gold conversion. It now appears that the gold in actually to be shipped from the United States to India and thence by air to Chungking. The metal must be needed urgently if it is to receive this priority over weapons and essential medical supplies for the very limited air transport available. If the gold is to be used to arrest inflation, the most direct method of using it to this end would be to sell it in the domestic market, taking due care to cancel the notes tendered in exchange for it. Against this it may be countered that \$200 millions of gold would have very little effect as a counter-inflationary solvent in China. It is even probable that the scramble for the metal would cause further depreciation of the paper currency. If the Chinese authorities wish to counter inflation, they have means ready to their hands without going to the trouble and expense of importing gold. If, nevertheless, that trouble is taken and expense incurred, the metal must be urgently needed—perhaps to meet certain outlays of the authorities for which Chinese paper currency has lost its efficacy.

Gaumont-British Accounts

The full accounts of Gaumont-British Picture Corporation for the year ended March 31st are a distinct improvement on any of their predecessors. For the first time, there is a real consolidated statement of assets and liabilities, while the profit and loss account discloses the provision for EPT and the total of interest payments. Previously, only interest in the publicly held debentures was revealed. Against this the split up of income tax and depreciation between the subsidiaries and the parent Corporation is no longer given. Since some at least of the former are not wholly owned, this may be a matter of importance. Two points of more immediate interest deserve attention. The improved accounts contain comparisons for the previous year, but it is quite impossible to carry that comparison any further back. The main outline of the figures is given on page 444, where the original figures for 1941-42 are substituted for the usual third year in the table. No comparison of balance sheet figures is attempted and this raises the second point. A year ago the accounts provided the statutory balance sheet and a statement of combined net tangible assets of subsidiary undertakings. It is quite impossible, with the information available, to make this earlier statement square with the figures now provided for 1941-42. This is a demonstration of the fact that two very different stories can be produced from the same figures and is strong evidence in favour of a large measure of standardisation in the principles underlying the presentation of published accounts. A further point of weakness, common to all consolidated balance sheets which include subsidiaries not wholly owned, is the fact that the total assets and liabilities of these concerns are stated with only a block item for outside interests. The net figure obtained by deducting the latter from the former does not, necessarily, give a clear idea of the real interest of the parent in the subsidiary. In the case where there was a wide disparity between the proportion of net assets held in various forms, for example stock in trade, at, possibly, inflated prices, and cash, and the proportion of the total accruing to the parent differed considerably as between the concerns, a very misleading picture might be presented.

Internal Telephones

At the annual meeting of Telephone Rentals, Ltd. on September 13th, Mr F. T. Jackson, chairman, vigorously attacked the operation of the Board of Trade's licensing system by which the installation of internal telephones is prohibited, except by special permission. He complained that very few licences were being granted, and made great play with the saving of manpower resulting from efficient facilities for telephonic inter-office communication. Mr Jackson said:

What the Civil Service mind does not appear to understand or concern itself about, is that by forcing a war factory to rely wholly on manually operated switchboards, that factory's effective output is reduced by at least ten per cent.

Mr Dalton must have been surprised indeed to learn that he may be housing a gang of saboteurs, for the consumer, usually so vocal about any shortcomings in his Department, appears to have been almost silent, thus completing the conspiracy. It is, of course, quite true that efficient internal telephone systems have many advantages. It is also true that the labour and materials needed for these installations are short. But only the Government, now the chief employer in the country, is in a position to judge how scarce resources can be used to best advantage.

Distributive Trades Manpower

The transfer of workers from the distributive trades has appeared to lag behind others. As late as the end of 1941, when the registration of 40-year-old women had almost been reached, the Minister of Labour announced that women aged between 20 and 25 engaged in non-food distributive trades would be called up for more essential work. It was not until December 17, 1942, that more far-reaching plans were made to transfer women up to 45 to other work, and, in the branches considered more essential, those over 35 were to be left. This decision was taken after what amounted to the failure of the Board of Trade to adopt a plan for the concentration of non-food retail trade, on the lines laid down for other industries. It is possible that this failure resulted in some delay in beginning a substantial contraction of the distributive trades' labour force. It must, however, be remembered that in an orderly and smooth transition from peace to war economy, the position of the distributive trades at the end of the chain of production logically puts it last on the list of trades to be controlled. In the reverse process of transition to peace economy, retail trade will be the last to feel the benefit of increased consumer production. Although it is now nine months since the announcement of rigorous transfers from retail trade, it is not possible to say that the process has been completed. It has been proceeding smoothly, and it is obvious to any shopper that shop assistants have been getting greyer and younger: the elderly and the very young are seen in increasing numbers. By July, 1942, more than half the male employees had left the distributive trades as a whole. At that time, the trades' manpower had hardly been touched, but the position to-day may more nearly approach that of the male employees over a year ago.

Coal Bonus Scheme

The first complete working year under the coal output bonus scheme ended on September 4th. Recommended by the Greene Board of Investigation, the scheme offered an additional payment of 3d. per shift for each complete 1 per cent in excess of standard outputs fixed for each district and based on the highest district outputs in any period of four consecutive weeks during the first half of 1942. These standard outputs were suggested jointly by the colliery owners and by the miners' leaders, and they were accepted by the Greene Board, subject to adjustments to take account of changes in manpower between the selected period and the inception of the scheme, and of tonnage lost through disputes. Moreover, in determining whether or not any district had qualified for a bonus the Ministry of Fuel and Power has had to make allowances for factors beyond the control of the workers as well as for output lost through recognised holidays. The most disappointing fact in the operation of the scheme has been the failure to achieve the national standard output of 4,164,700 tons of saleable coal per week in any four-weekly period. There have been

districts which have exceeded their target figures. South Derby and Leicester did so in each of the thirteen four-weekly periods ended September 4th last, and Somerset in eleven out of the thirteen periods; but in the larger coal-fields the incentive did not prove very effective, and in South Yorkshire and South Wales, the two districts claiming normally the biggest weekly outputs, the gap between production and target averaged over the whole of the period between 4½ per cent and 5 per cent. For the industry as a whole, the average for the four-weekly periods ranged from 4,126,500 tons in the period ended November 28, 1942, to 3,097,800 tons in that ended August 7, 1943 (including the August holidays); for the whole of the thirteen four-weekly periods the average output was 3,851,000 tons, which falls short of the target figure by over 7 per cent. It is impossible to calculate how far this deficiency is attributable to changes in manpower, rates of absenteeism, output per manshift, and the number of shifts worked per week. Statistics are not yet available in sufficient completeness, and inferences drawn from the occasional figures given by the Minister of Fuel and Power may be misleading. In any case, they are now likely to be of only historical interest, for both the miners' representatives and the owners seem inclined to the original view of the Board of Investigation, that a scheme based on individual pits might prove more successful than one based on districts. The Mineworkers' Federation has submitted proposals for this purpose, which, however, contemplate the fixation of targets on the basis of the average weekly output during the twelve months ended June, 1943 (subject to certain operational adjustments), instead of the four best consecutive weeks in the first half of 1942, and the administration of the scheme regionally by a sub-committee of employers, miners and the regional controller instead of, as hitherto, centrally.

Scottish Coal Output

Lord Traprain, Scottish Regional Controller of the Ministry of Fuel, has given a review of the coal position in Scotland, which, he says, could "hardly be more disturbing," and which is, if anything, even more discouraging than the situation in the rest of the country. Output from Scottish mines declined from 30,528,900 tons in 1939 to 26,188,000 tons in 1942, a decline of 14 per cent, while during the same period manpower fell by 5.25 per cent, and the decrease in output per man was about 9 per cent. The latest output figures show a further downward trend; during the quarter June-August, 1943, there was an average decline of 25,000 tons a week, compared with the same period of last year. If this trend continues, it is estimated that the total decline for this year will be about 1½ million tons, which would represent a decrease of nearly 20 per cent from the 1939 figures, and a decline in output per man of about 14 per cent. The fundamental reason for the present position is undoubtedly shortage of productive manpower, but Lord Traprain listed a number of other reasons, put forward by both the miners and the owners. His analysis of the criticisms of both sides is applicable to the country's coalfields generally. In his view, undue prominence has been given to the men's impression that the owners are reserving the best seams until after the war, an allegation which they have been unable to substantiate by evidence. Among the other complaints of the miners were that employers cut piece-rates when production increased, that managements were unwilling to co-operate with the men, whose suggestions at pit production committees were turned down, while mechanical and supply difficulties, lack of food, and the effect of income tax were recurrent grievances. The Scottish controller said that where pit committees worked well, they had proved useful; but he agreed with the view that the men's suggestions often had to be turned down for technical reasons. The owners and managements attributed the decline in output to slackness on the part of the men and general lack of discipline, with men knocking off early and failing to prepare the work properly. Lord Traprain admitted that there was in many cases a serious lack of effort, while the increase in absenteeism (from 3.41 per cent in 1938 to 8.5 per cent to-day, and in the past year alone by 1.5 per cent) was excessive, though a very few pits had as low a rate as 2 per cent. He was not optimistic that the new manpower policy would have immediate effects on output, but thought that there might be good results from the introduction in Scotland of 16 complete schemes of American mechanisation—nearly half the number of

schemes for the whole country. Lord Traprain appealed for a spirit of self-imposed discipline and self-imposed co-operation. So far, however, the conditions that might promote a better spirit and create confidence in the future prospects of the industry are singularly lacking.

Unilever Preliminary

The preliminary statement of Lever Brothers and Unilever for last year shows a considerable measure of recovery, in both consolidated profits, after tax, and the net profit of the parent concern, from the sharp setback of 1941. The consolidated figure is £6,913,003, against £6,299,663 in 1941, and £7,879,659 in 1940, and the net amount earned for dividends of the parent £6,028,834, against £5,835,589 and £6,987,130. It appears that there has been an improvement in the percentage earned on the ordinary capital from 16.7 to almost 20 per cent, but it is as well to await the appearance of the accounts next week before being more precise. In the absence of further figures, it can only be guessed to what the rise in the disclosed profit is due. One decisive factor may, however, be the tax provision. In each of the two preceding years, special allocations were made to convert the basis of provision from the legal liability at the date of the balance-sheet to full cover on all profits earned up to that time. Last year, it was understood that this process was complete and, if this estimate has proved reliable, it may not be necessary to look further for the main cause of the improvement. The dividend on the ordinary capital is maintained at 5 per cent less tax at 9s. 9d. At the current price of 36s. 3d. ex dividend this gives a yield of £1 8s. 3d. free of tax.

Faith in Gold

For a considerable period of weeks, one of the features of the stock market has been the relatively large turnover in the shares of gold-mining companies, mainly those in, or about to be developed in, South Africa. The



latest change in the main direction of this movement is a tendency to concentrate upon concerns with interests in the areas in the Orange Free State, at present in the prospecting stage. The latest burst of activity in this connection arises from statements made by Mr Louis Marks, chairman of the African and European Corporation, at Johannesburg last week. Evidence of a more general character of the growing interest in mining, including diamond mining, is provided by the full accounts of "Johnnies" for the year to June 30th. This company had already announced a dividend of 3s., against the recently established level of 2s., and an even larger rise in net profit. The full accounts show that this is associated with a considerable expansion in total resources and a fuller investment of them in mining enterprises, which is in marked contrast with the picture presented by earlier accounts of this and similar undertakings. The repeated news of finance houses taking fresh participations, and the not uncommon raising of fresh capital, suggest that the Union of South Africa is making a bid, even in wartime, to offset by new discoveries the inevitable decline in the production of the Rand. It is impossible to say to what extent technological improvements, especially as applied to mining at great depths, and any further rise in the quotation of gold, will prolong the life of old mines. But, faced with a very restricted list of alternatives, the Union is likely to do its best to maintain this source of wealth. How far present hopes, based on trial drills, will be realised; how far the investor will be allowed to reap fat rewards, and whether the overseas investor will be as well treated as the Union's nationals are all matters of guesswork and render the present rise in market values extremely speculative.

* * *

The London Metal Exchange

On the occasion of a luncheon to mark his retirement from the chairmanship of the London Metal Exchange, Mr J. D. Wolff made a strong plea for the restoration of free commodity markets after the war. The London Metal Exchange, established in 1877, had indeed rendered great services to the community until the Government prohibited dealings after the outbreak of war. The Exchange became the world market in base metals, providing facilities for national and international dealings, for the distribution of metals from producing to consuming countries, and for insuring the consumers of these metals against unforeseen price fluctuations. It had the incidental, but by no means unimportant, advantage of earning substantial amounts in foreign exchange and of encouraging the accumulation of large stocks of metals—so useful in war—in this country. The volume of transactions on the London Metal Exchange, as the following table shows, has been substantial:—

	VOLUME OF TRANSACTIONS			
	(Long tons)			
	Copper	Lead	Spelter	Tin
1936	457,000	335,000	248,000	82,000
1937	711,000	482,000	594,000	101,000
1938	475,000	387,000	296,000	91,000

If the record of the London Metal Exchange were the only deciding factor, Mr J. D. Wolff would be on strong ground in advocating its reopening once the conditions of normal trading have been restored after the war. But there are other problems which must not be overlooked. One of these is the need for ensuring a greater measure of stability in the incomes of primary producers by preventing excessive swings in prices caused by periodic stocking and de-stocking movements. Another is the need for keeping exchange rates reasonably stable. This is not the place to enlarge upon those problems which form the subject of discussion between the United Nations. But if base metal markets are retained elsewhere after the war, the speedy reopening of the London Metal Exchange might be necessary for this country to regain its former position as a world trading centre.

* * *

Training Engineers

The memorandum on the training of engineers, issued by the Institution of Mechanical Engineers after publication of the Government's White Paper on Educational Reconstruction (Cmd 6458), is a timely document, for it emphasises the important role the engineer and craftsman will have to play if Britain is to remain in the forefront of technical progress. The memorandum expresses disquiet

about the scale and timing of the improvements envisaged, revealed by the scanty provision for expenditure during the years following the war. The quality of engineering instruction in university and technical colleges depends largely on the quality of the teaching staff and of their equipment. The engineers point out, rightly, that there is an essential difference between the teacher of engineering and the teacher of academic subjects. The former is, and must remain, an engineer and, in order to attract the best people, his salary should be comparable to that open to him if he follows an industrial career. Moreover, in order to maintain his competence the teacher of engineering must keep in touch with the practical application of what he teaches. Teachers should be available to local industries as consultants. Some subjects are best taught by practising specialists. There is urgent need for an improvement in equipment which, by comparison with other countries, is often "deplorably low." Just as the teacher must maintain close contact with industry if he is to remain a good teacher, the university student can benefit from his lectures and classes much more if he has had previous contact with industry. The recommendation that all those who are able to include a full-time university course in their training as engineers should undertake a period of works' training before they proceed to the university is sound and its application overdue. There should, in fact, be a close and constant relation between practice and teaching for teachers, and between workshop practice and training at schools or university for the industry's recruits. True, the achievement of British industry in war is a high testimony to the quality and skill of its engineers and craftsmen. But these can only be maintained by constant improvements in methods.

* * *

Diamond Production

Statistics about diamonds have never been adequate; the only figures now available refer to the sales of the Diamond Trading Company—the sole selling channel of producers in Africa. Last year these sales amounted to £10,500,000; to this total £4,250,000 was contributed by the sale of industrial diamonds. Hatton Garden estimates expect the 1943 turnover to pass the £16 million mark. This would be a record, some £7,000,000 in excess of the best turnover of the last pre-war decade. In view of the apparent scarcity of diamond labour outside the European mainland, the diamond boom which has developed since 1941 represents something of a paradox, which cannot be explained without access to production, stocks and labour statistics. The recent London diamond "sights" revealed a substantial turnover even in the smallest gem stones, which suggests that the number of diamond workers in the gem trade has shown an increase. There can be little objection to the boom in gem diamonds so long as it does not interfere with the supply of labour for the preparation of industrial diamonds. In this country, the employment of diamond workers is controlled by the Government to assure that the requirements of the war industries are fully met. The bulk of this week's sales of stones under one carat were made to buyers from other countries, such as the United States and Palestine. It is known that the number of skilled diamond cutters and polishers in these countries has risen substantially since 1940; but is there really enough excess labour over industrial requirements to lay the foundation for the greatest boom the gem diamond trade has ever experienced? There is another aspect of the diamond trade about which information seems needed. The demand for industrial diamonds since 1939 has exceeded all expectations and consumption is still rising. But according to a report on abrasive materials recently issued by the United States Bureau of Mines, world production of diamonds fell from 14,250,000 carats in 1940 to 9,350,000 carats in 1941, and in 1942 "probably approximated to that of 1941." Earlier in the war the diamond trade held large stocks of industrial diamonds which supplemented new supplies. Reports that for some time past certain quantities of lower grade gem stones have been made available for industrial purposes seem to suggest that supplies of at least certain classes of "industrials" are getting tight. Such reports may be exaggerated and diamond producers may have taken steps to keep the output of industrial diamonds in line with the growing demand. They can hardly be blamed for liquidating pre-war stocks and for avoiding the accumulation of fresh surpluses. If diamond producers have made adequate provision for meeting the growing demand for industrials, they could easily allay fears and counter criticism by publishing the relevant data.

BENEFACTORS OF MANKIND



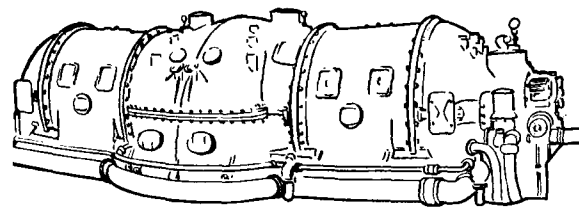
ISAAC NEWTON (1642-1727)

Probably the greatest of all scientists, his achievements baffle the analysis of the profoundest of contemporary and modern thinkers. No greater biography exists than the lines by Pope:

*"Nature and nature's laws lay hid in night,
God said 'Let Newton be!' and all was light."*

Experiment

THE name of Newton will always be connected with Gravitation. He developed the laws of celestial bodies upon which Halley based his astronomical discoveries. He was a mathematical genius, the originator of the Differential Calculus. Upon the laws of light, colour, optics, temperature, longitude at sea, tides and theology he applied the vigour of his unusual mind, directing the light of exact knowledge into many dark places. Observation and experiment were his guiding principles, as they must always be in scientific progress. The application of these ideals, we modestly claim, has dominated the development of our own electrical progress through more than half a century.



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

COMPANY MEETINGS

ANGLO-IRANIAN OIL
COMPANY, LIMITED

EXCELLENT RESULTS

SIR WILLIAM FRASER'S
STATEMENT

The thirty-fourth ordinary general meeting of the Anglo-Iranian Oil Co., Ltd., was held, on the 21st instant, at Britannic House, Finsbury Circus, London, E.C., Sir William Fraser, C.B.E., chairman of the company, presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended 31st December, 1942.

Stockholders must be very gratified by the excellent results achieved in 1942, but I would like to utter a word of warning. As stockholders are doubtless aware, every company has a "standard profit" which it may earn without being subject to excess profits tax. If a company fails to achieve this standard in any year the deficiency is carried forward. In our case the deficiencies which have accumulated since 1939, the year of commencement of excess profits tax, have therefore gone to swell our retainable profit for 1942.

We have taken advantage of the unique net profits for 1942 to increase the Preference stock reserve by £500,000 and also to provide £2,000,000 for extra depreciation, which latter has enabled us to reserve in full for all our assets in enemy and enemy-occupied countries. Furthermore, before arriving at trading profits, £1,000,000 has been placed to a war contingency and which is very desirable in these times. The deferred repairs account, a provision which is very desirable in these times. The balance of profit remaining enables us to recommend a final dividend of 15 per cent., making 20 per cent. for the year, and to increase the carry-forward by £191,548.

CURRENT YEAR'S PROSPECTS

Stockholders may expect me to give some forecast of the probable results for the current year. With all the reservations that are necessary in the uncertainty of conditions to-day, I can say that present indications are that gross profits may not be far short, if at all, of those for 1942, but excess profits tax will, as I have explained, prevent the net profits from rising above the excess profits tax standard.

NEW ARRANGEMENT WITH GOVERNMENT
OF IRAN

During the early part of 1940 representations were made by the Imperial Iranian Government regarding the payments by the company under the concession. As a consequence of the conditions arising from the war, these payments would have been greatly reduced and the Government were faced with a serious loss of revenue. After very careful consideration and consultation, we agreed in the summer of 1940 to certain arrangements which were apart from the concession and which included provision to make up the amount due under the terms of the concession to £4,000,000 sterling in respect of each of the years 1940 and 1941. This action did not of course, affect the terms of the concession in any way. In regard to the period after 1941, it was agreed that the matter should be re-examined in the light of the conditions of the time with a view to reaching an arrangement agreeable to both parties. That re-examination has taken place and we have agreed to the Iranian Government's request to continue if necessary to make up the payments due under the concession to £4,000,000 sterling annually up to and including the year in which hostilities between the United Kingdom and both Germany and Italy cease as a result of the conclusion of a general armistice; or, if armistices are concluded with those Powers separately, the year in which the later armistice is concluded.

The report and accounts were unanimously adopted.

THE ECONOMIST

September 25, 1943

ANGLO-CEYLON AND
GENERAL ESTATES
COMPANY, LIMITED

RECORD CROPS

The fifty-seventh annual ordinary general meeting of the Anglo-Ceylon and General Estates Company, Limited, was held, on the 23rd instant, in London, Sir Edward Rosling, chairman and managing director, presiding.

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

In Ceylon, our crops of tea and rubber constitute records, and that of cocoa very nearly a record.

As regards rubber, you will see from the body of the report that we produced 523,646 lbs. as against 334,668 lbs. in the previous year, and I think, as a war effort this may be considered quite an achievement.

LOWER AVERAGE PRICES

The average prices obtained for tea and cocoa were lower than for the previous year, in the case of tea the reason being that during last year extraordinarily high prices were received for tea sold on the free market in Colombo. Costs of production show an unavoidable increase largely due to the dearness allowance to labour and the subordinate staff, and the high cost of all kinds of necessary supplies. Another factor has been the necessity to divert part of the standing labour force to the growing of foodstuffs. Food production has added considerably to the work of our depleted staff of superintendents, and it is only through their loyal co-operation that most of the difficulties have been overcome.

In Mauritius the sugar crop was also a record, resulting in a production of 43,767 tons from 360,517 tons of cane. This represents an extraction of over 12 per cent. of commercial sugar, which is an exceptionally good figure and gives evidence of efficient work in the factories. For the current

years a smaller crop must be expected as by Government decree certain cane lands have been turned over to the production of food. We cannot yet say what actual effect this will have, but a committee is sitting to deal with the question of any compensation which may be considered to be due. Both in Ceylon and Mauritius every effort has been made to keep the estates in good order and as far as it has been possible, repairs and replacements to buildings and machinery have been maintained.

DIVIDEND 7 PER CENT

As to the accounts, the gross profit for the year amounted to £222,234, and after providing £180,000 for taxation £42,234 is available for distribution to the shareholders, and we recommend once again a dividend of 7 per cent free of income-tax. With regard to taxation, the computations of the company's liability are necessarily involved, coupled as they are with Excess Profits Tax both in Ceylon and Mauritius, and whilst it was considered that sufficient provision had been made in previous years to meet all liabilities, it appears from figures recently calculated, but not yet agreed, that there may be some additional liability.

The position is under review but it may be some time before matters are finally settled. In the light of these recent calculations, the provision in the accounts not submitted, of £180,000 for tax, is considered adequate, but the directors feel that shareholders would prefer them to deal with any additional liability on past years when such liability (if any) is known and then it can if necessary be met out of the ample reserves which the company possesses.

Many of our staff both at home and abroad are absent on active service, and another has lost his life while serving in the Mediterranean. I would like to record the thanks of the board to our managers and their staffs in Ceylon and Mauritius for their efforts during the past year, and also to our agents in Colombo, and our secretary and staff in London.

The report and accounts were adopted.

MORRIS MOTORS LIMITED

ANNUAL GENERAL MEETING

Accounts for the year ended December 31st, 1942

NET PROFIT - - - - - £1,799,173
TOTAL DIVIDEND - - - - - 17½%, TAX FREE

The Seventeenth Ordinary Annual General Meeting of Morris Motors, Limited was held on the 20th September, 1943, at Cowley, Oxford. The recommendations of the Directors, which were unanimously adopted, included the following provisions:—

An interim dividend of 10% free of income tax on the Ordinary Stock as declared on 18th December, 1942, accounted for £265,000 of the

profit earned. After meeting that sum and the dividend on the Preference Stock (£225,000), Taxation (£796,336), Air Raid Precautions Expenditure (£147,598), and Special Provision for Rehabilitation of Factories for post-war production, (£100,000), there remained a balance of profit of £265,239, to which must be added the balance brought forward from last year of £231,872, giving a total of £497,111.

This sum is dealt with in the following manner:—

By payment of a Final Dividend of 7½% on the Ordinary Stock, free of income tax ... £198,750
By transfer to Dividend Equalisation Reserve Account ... £50,000
and by carrying forward to next year the balance of ... £248,361
£497,111

Chairman:
The Right Hon. Viscount Nuffield, G.B.E., F.R.S., M.A., D.C.L., LL.D.
Vice-Chairman:
Sir Miles Thomas, D.F.C.

MORRIS MOTORS LTD.
MORRIS COMMERCIAL
CARS, LTD.

MORRIS INDUSTRIES
EXPORTS LTD.

NUFFIELD MECHANICAL
ZATIONS, LTD.

NUFFIELD TOOLS &
GAUGES, LTD.

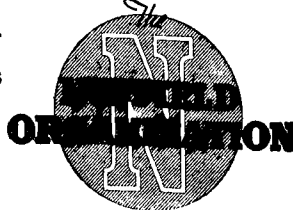
RILEY (COVENTRY) LTD.

THE
M.G. CAR COMPANY LTD.

THE NUFFIELD PRESS LTD.

THE S.U.
CARBURETTOR COMPANY
LTD.

WOLSELEY MOTORS LTD.



September 25, 1943

FURNESS, WITHY AND
COMPANY, LIMITEDOBJECTIONS TO
NATIONALISATION

The fifty-second annual general meeting of Furness, Withy and Company Limited, was held, on the 22nd instant, in London, the Right Hon. Lord Essendon presiding.

The chairman, in the course of his speech, said: The position disclosed in the accounts will be, I feel sure, satisfactory to the stockholders in view of existing conditions and heavy taxation liabilities. The net profit, after making provision for taxation, amounts to £547,308. The directors recommend the payment of a dividend on the ordinary stock of 6 per cent. less income-tax, the same distribution as in the previous year.

A HARMFUL POLICY

I have on several previous occasions referred to the question of nationalisation. I am reluctant to revert to this subject, but it is one that is kept in the forefront of political controversy, and I consider that the adoption of such a policy would be so harmful to the national interest that those who feel strongly opposed to it should lose no opportunity of emphasising the faith that is within them. After the last war several nations attempted the nationalisation of shipping, but, without exception, they had to liquidate their positions as a result of the heavy losses that were incurred.

There is no reason to believe, in fact quite the contrary, that the position would be any different if it became a British policy. It would not be an economical proposition.

To sum up: What benefits are expected to accrue from nationalisation? Will it benefit the community; will it benefit the domestic consumer, or the industrial consumer? Will it increase productivity, or add to the revenue of the State? Will it reduce taxation for the individual? I submit that the answer to all these questions is in the negative.

REPLACEMENT PROBLEM

One result of the present war has been the unbalancing of the merchant navies of the world, particularly illustrated by the reduction in British tonnage, on the one hand and the large augmentation of the United States tonnage, on the other. We must candidly admit that the latter circumstance, from the point of view of the war effort, has been most gratifying, but now that we may hope we are within measurable distance of the termination of the conflict, the shipping industry is very seriously

occupied in contemplation of the replacement problem.

The moneys that have been received for lost ships under the war risk arrangement with the Government will certainly not be sufficient to replace them, although admittedly it will go a good way towards it. But a much greater problem arises in regard to the replacement of ships that have not been lost, but which in the not very distant future will require to be replaced. We regret that we have not been allowed in our hire arrangements some additional remuneration to be utilised for this purpose, but, as I have stated at previous meetings, we are relying—and I think we can safely rely—on the very specific assurances that the industry has received from the Government in this respect.

You will see attached to the report and accounts a notice of an extraordinary general meeting of the company to be held on Friday, October 8th, at 2.30 p.m. As 21 days' notice has to be given of this meeting, it is not practicable for both meetings to be held on the same day, and as it may not be convenient for members to attend both meetings it will perhaps be desirable that I should relate the reasons for the special resolution that is to be submitted to that meeting. This resolution, as you will have seen, is to give the company powers to carry on the business of air transport. The shipping industry considers that their 100 years' experience of passenger traffic organisations will enable them to make a substantial contribution to the management of business of this kind, much greater than they believe, rightly or wrongly, could be achieved through the medium of a single Government organisation.

The industry considers that a wider experience of international transport is necessary for the successful prosecution of such a business. Shipowners possess long-established branch offices with experienced management, together with a number of experienced agencies all over the world, all of which perform for seaborne traffic the same kind of duties that would apply to airborne traffic. Therefore shipping companies should be encouraged to develop air services on those routes where they have developed sea traffic. Cooperation between the two services is essential.

IMPORTANCE OF AIR TRANSPORT

This is a matter of great importance to the national interest, because if air is going to attract an unduly large proportion of the travelling public, shipowners will have to consider their policy in regard to the replacement of passenger ships which will cease to be built if it is likely to prove uneconomical to operate them. In the event of war, this would have a serious effect on the

THE ECONOMIST

future security of the country. It is obvious that campaigns similar to those of North Africa and Sicily could not be carried out if this type of ship ceases to be constructed.

The shipping industry considers that the first declaration of any international air conference should be one putting an end to excessive air subsidies. The country will require both ships and aeroplanes and they should be operated in a manner complementary to each other, and operators from both sides should be invited to confer together and give the best estimate they can of a commercial future of the air and its effect on the routing of passengers by both air and sea. Obviously both services should be under the same Ministry.

Shipowners neither require nor expect any monopoly in this class of business and it is in the hope that they may be permitted to take their part in the management and organisation of these services that we are asking our members to pass the resolution to which I have referred, which will give us the necessary powers in our memorandum of association to utilise when the opportunity arises.

The chairman concluded with an expression of appreciation of the courage of the officers and merchant seamen in facing so bravely and unflinchingly the risks inevitable in times of war.

The adoption of the balance-sheet and report, and the payment of a dividend of 6 per cent., less income-tax, on the ordinary stock, were carried unanimously.

LORD ESSENDON'S DIAMOND JUBILEE

Mr Sydney J. Forster in proposing the re-election of the retiring directors said: I am sure you will join with me in tendering to our chairman to-day our heartiest congratulations on the attainment of his diamond jubilee with the business of Christopher Furness and Furness, Withy and Company, Limited. By his charming personality Lord Essendon always inspires true loyalty and genuine affection in those with whom he works. His unfailing kindness, his freedom from prejudice, and his faculty of seeing the best in every man, and of giving full consideration to the opinions of others, make business transactions with him a source of pleasure and satisfaction.

It has been said that genius is an infinite capacity for taking pains. That being so, Lord Essendon is certainly a genius, as no business problem is too intricate for him to master, or too small to merit his serious consideration. The phenomenal progress which has attended Lord Essendon's career has been entirely due to his own initiative, hard work, and sterling character, culminating in honours bestowed upon him by His Majesty the King, honours which were never more richly deserved.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Continued Education.—The Brush Electrical Engineering Company, Limited, of Loughborough, has decided to implement the recommendations outlined in the White Paper on post-war educational reconstruction for continued education of young persons in industry without waiting for a Bill to become law in the post-war period. A comprehensive programme has been worked out in collaboration with Loughborough College, and by means of courses in the works school and at the College continued education amounting to approximately one day a week is being introduced for all girls and boys below the age of 18. Selected workers over 18 will also be given advanced education.

Theft of Clothing Coupons.—Following the theft of 5,000,000 clothing coupons from an Army depot, the Board of Trade promptly cancelled all five-coupon vouchers in circulation. The fortunate recovery of the stolen coupons enabled the measures taken to withdraw all similar coupons from circulation to be dropped.

Factory Fires.—In a recent speech to aircraft factory fire fighters, Sir Stafford Cripps disclosed that factory fires due to carelessness were decreasing. He stressed the need for continued vigilance.

Children's Shoes.—Leather has been diverted from the manufacture of adult shoes to children's shoes, and some used conveyor belting is to be used for soles for children's shoes, according to a letter from the President of the Board of Trade to Mr Henderson Stewart, M.P. Hitherto, the output has been sufficient only to provide each child with three pairs of shoes a year.

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

	Sept. 16, 1943	Sept. 20, 1943	Sept. 21, 1943	Sept. 22, 1943	Sept. 23, 1943
Crops	121.7	122.0	122.2	122.2	122.4
Raw materials	182.3	182.3	182.3	182.3	182.5
Complete Index	149.0	149.1	149.3	149.3	149.5
	Mar. 31, 1937*	Aug. 31, 1939	Sept. 22, 1942	Aug. 23, 1943	Sept. 15, 1943
Crops	147.9	92.2	118.3	120.5	121.4
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	142.9	148.2	148.6

*Highest level reached during 1932-37 recovery

Points Changes.—The points value of biscuits was raised from September 19th. "Welfare" and similar biscuits and unsweetened biscuits are doubled in points value to two and four points a lb. respectively; sweet and semi-sweet biscuits are raised from six to eight; and chocolate biscuits from 12 to 16 points a lb. The points value of dried apples is halved to six points a lb., that of dates, sultanas and dried fruit (other than prunes and figs, which remain at six points) lowered from 12 to eight points a lb. The individual ration remains at 20 points for the four weeks. The "Points Banking System," which was described on page 188 in *The Economist* of August 7th, came into operation on September 19th.

Coal Output.—The output of saleable coal in the four weeks ended September 4, 1943, averaged 3,767,800 tons a week compared with 3,097,800 tons in the previous four weeks.

WEEKLY OUTPUT OF SALEABLE COAL (Weekly Standard Tonnage 4,161,800 tons)

Four Weeks ended*	1941	1942	Four Weeks ended*	1942	1943
Oct. 3rd	4,146,600	4,076,100	March 20th	4,074,600	4,013,700
Oct. 31st	4,131,400	4,124,500	April 17th	3,739,800	4,005,200
Nov. 28th	4,196,650	4,126,500	May 15th	4,103,900	3,624,600
Dec. 26th	3,853,400	3,880,100	June 12th	3,724,800	3,936,600
	1942	1943	July 10th	3,987,200	3,579,700
Jan. 23rd	3,824,800	3,813,400	Aug. 7th	3,359,300	3,097,800
Feb. 20th	4,028,000	4,016,400	Sept. 4th	3,978,900	3,767,800

* The actual dates given relate to 1942 and 1943.

The production from open cast working (outcrops) averaged 134,200 tons per week, the highest figure so far recorded. The two districts which qualify for output bonus are Leicestershire and South Derbyshire.

Company Results

Gaumont-British Picture Corporation

	1942 A	1942 B	1943
Group earnings after deferred repairs	£1,714,291	£2,391,545	£2,747,347
Depreciation	347,707	356,966	356,035
War damage contributions	107,270	103,086	18,224
Debt interest	189,031	£395,291	£388,329
Income tax	578,779	573,493	808,811
E.P.T. and N.D.C.	199,663	502,239	735,562
Profits to outside shareholders	134,898	180,585	187,688
Undistributed profits of subs. attributable to Corpn.	134,898	122,942	57,761
Net Profit of Corporation	156,943	156,943	194,937
Profit on repayment of debts	38,520	38,520	2,534
Preference dividends	89,375	89,375	89,375
Earnings on Ordinary	106,088	106,088	108,096
Paid	90,000	90,000	90,000
Earnings %	7.1	7.1	7.2
Paid %	6	6	6
General reserve	9,300	9,300	...
Carry forward	85,868	85,868	103,964

Consolidated Statement:
 Net fixed assets ... 15,635,488
 Net inter-company items ... 1,881,658
 Net liquid assets ... £1,494,906
 Net liquid assets ... 18,638,974
 Goodwill and other intangible assets ... 4,482,593
 Net tangible interest of outside shareholders ... 1,804,281

Gross liquid assets ... 2,112,728
 "A"—1942 accounts as published last year.
 "B"—1942 comparative figures given in 1943 accounts.
 * Including £206,260 in 1942 and £204,870 in 1943 loan and mortgage interest.
 † Also after loan and mortgage interest shown at £206,260 in 1942 "B" accounts.
 ‡ Tax reserves and tax contingencies reserve including deferred repairs of £123,38 in 1942 and £1,080,814 in 1943 have been treated as liabilities.

The ros. ordinary stock quoted at 16s. 6d. yields £3 15s. 7d. per cent.

Sheepbridge Coal and Iron

	1941	1942	1943
Total net revenue	225,049	207,531	212,909
Debt interest	9,004	8,911	8,897
Depreciation	33,919	38,051	39,833
Directors' fees	4,899	4,640	4,613
War Damage Reserve	20,000	5,000	20,000
Renewals and deferred repairs reserve	15,063	13,390	13,390
Preference dividends	122,173	107,539	126,176
Earnings on Ordinary	122,173	107,539	126,176
Paid on Ordinary	117,450	104,400	104,400
Earnings %	9.4	8.2	9.7
Paid %	9	8	9
Reserves	115,181	118,320	20,000
Carry forward	115,181	118,320	120,096

Net fixed assets ... 1,243,133
 Net inter-company items ... 755,356
 Net liquid assets ... 437,655

Gross liquid assets ... 1,293,376
 Stocks, stores, work in progress ... 476,670
 † Before deducting omnibus item, including renewals and deferred repairs, of £54,558 in 1941, £81,185 in 1942 and £116,779 in 1943
 ‡ Free of tax.

The £1 ordinary stock quoted at 45s. 6d. ex dividend yields £3 10s. 4d. per cent tax free.

THE "ECONOMIST" INDEX OF WHOLESALE PRICES

	Mar. 31, 1937*	Aug. 30, 1939	Sept. 15, 1942	Aug. 31, 1943	Sept. 14, 1943
Cereals and Meat	93.0	66.9	105.5	109.9	110.2
Other Foods	70.4	61.1	102.6	107.5	107.5
Textiles	74.2	54.3	92.5	92.7	92.7
Minerals	113.2	95.4	137.2	135.9	135.9
Miscellaneous	87.0	77.6	120.9	126.8	126.8
Complete Index	87.2	70.3	111.4	114.3	114.4
1913=100	119.9	90.8	153.2	157.3	157.4

* Highest level reached during 1932-37 recovery.

FINANCE AND BANKING

THE MONEY MARKET.—The clearing banks have begun their September making-up this week and this helped to make credit conditions sufficiently difficult to call for special assistance at the beginning of the week. The discount market increased its bid price for Treasury bills to £99 15s. last week and this led to an increase in its proportional allotment from 29 to 41 per cent. By mid-week the credit position had been restored to its accustomed ease and banks were again buying bills. The

(Continued on page 446)

Staveley Coal and Iron

	1941	1942	1943
Net trading profit	833,537	769,116	780,429
Dividends and other income	163,767	175,598	187,488
Total income	997,304	944,714	967,917
Depreciation	226,288	£310,622	£300,719
War damage insurance	45,587	9,488	7,637
Taxation	418,581	347,000	375,350
Fees	12,419	11,000	11,000
Earnings on Ordinary	294,429	266,604	273,211
Paid on Ordinary	220,048	220,048	220,048
Earnings %	8.7	7.9	8.1
Paid %	6	6	6
General reserve	50,000	50,000	50,000
Carry forward	133,879	£135,466	£138,629
Net fixed assets	2,963,505	2,887,379	2,744,684
Net inter-company items	1,258,230	1,236,245	1,233,578
Net liquid assets	1,427,952	1,511,084	1,735,704
Gross liquid assets	2,430,111	2,403,498	2,614,531
Cash, money at call and Govt. Securities, Tax Certs.	692,151	489,125	828,864

† Free of Tax.
 ‡ Includes £90,000 written off stock values.
 § Includes £5,030 profit on sale of estate and investment.

The £1 ordinary stock at 53s. 6d. ex dividend yields £2 8s. 7d. per cent tax free.

Great Universal Stores

	1941	1942	1943
Consolidated Figures:			
Trading profit	489,001	685,602	722,548
Depreciation	53,093	37,501	45,894
Deb. Interest and Sinking Fund	55,435	48,419	49,695
Directors' fees	4,708	3,708	4,098
War Damage Contribution	20,414	8,049	1,168
Taxation	246,346	395,214	439,424
Preference dividend	36,024	31,077	32,310
Retained by Subsidiaries	20,362	40,149	45,485
Available for Ordinary	52,619	121,485	104,574
Paid	64,373	100,000	100,000
Earnings %	14.1	31.3	30.0
Paid %	12	20.0	20
General Reserve	...	22,000	13,728
Carry forward	9,663	9,148	...

Net fixed assets ... 1,089,188
 Net inter-company items ... 196,954
 Net liquid assets ... 1,589,396
 Goodwill ... 990,639
 Proportion of subsidiaries held outside group ... 134,756

Gross liquid assets ... 2,911,906
 Stocks ... 1,406,476

* Includes payment on shares held outside group.
 † After deducting nominal amounts accruing to outside interests.
 ‡ Five per cent, less tax, 7 1/2 tax free.
 § Based on earnings of group, not on available income of parent.

The company has acquired certain interests, including the right to use the name Drage, from certain of its directors at a large profit to the latter.
 The 5s. ordinary stock quoted at 22s. ex dividend yields £4 11s. per cent.

GOVERNMENT RETURNS

For the week ended Sept. 18th, 1943, total ordinary revenue was £33,834,000, against ordinary expenditure of £95,346,000, and issues to sinking funds of £95,000. Thus, including sinking fund allocations of £6,571,266, the deficit accrued since April 1st is £1,499,243,000 against £1,360,270,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to Sept. 19, 1942	April 1 to Sept. 18, 1943	Week ended Sept. 19, 1942	Week ended Sept. 18, 1943
ORDINARY REVENUE					
Income Tax	117,500	255,950	332,150	6,925	8,126
Sur-tax	80,000	11,610	11,425	490	510
Estate, etc., Duties	100,000	44,700	46,057	1,504	1,990
Stamps	17,000	5,870	6,820	210	200
N.D.C.	12,390	12,047	12,047	1,000	497
E.P.T.	500,000	143,883	214,536	10,400	9,503
Other Ind. Rev.	1,000	260	208	...	...
Total Ind. Rev.	187,300	474,663	623,243	20,529	20,826
Customs	525,320	215,831	248,941	8,510	9,516
Excise	450,180	183,400	207,500	2,300	3,100
Total Customs & Excise	975,500	399,231	456,441	10,810	12,616
Motor Duties	25,000	4,535	3,711	...	102
Canadian Govt. Contribution	...	154,815	...	8,988	...
P.O. (Net Receipts)	...	...	...	3,550	...
Wireless Licences	4,700	7,200	1,260	...	...
Crown Lands	800	440	450	...	...
Receipts from Sundry Loans	4,100	1,030	1,993	31	28
Miscell. Receipts	24,000	49,107	37,712	2,144	261
Total Ord. Rev.	2907,500	1092,182	1124,810	38,954	33,834
SELF-BALANCING P.O. & Brdcastg.	110,632	48,550	50,100	5,150	1,700
Total	3018,132	1140,732	1174,910	44,104	35,534

Expenditure	Estimate 1943-44	April 1 to Sept. 19, 1942	April 1 to Sept. 18, 1943	Week ended Sept. 19, 1942	Week ended Sept. 18, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	157,050	182,931	1,837	2,040
Payments to N. Ireland	9,500	3,354	3,012	...	...
Other Cons. Fund Services	7,500	3,448	3,275	...	...
Total	392,000	163,852	189,218	1,837	2,046
Supply Services	5,566,751	2,282,666	2,428,264	88,500	93,300
Total Ord. Exp.	5,758,751	2,446,519	2,617,482	90,337	95,346
SELF-BALANCING P.O. & Brdcastg.	110,632	48,550	50,100	5,150	1,700
Total	5,869,383	2,495,069	2,667,582	95,487	97,046

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £203,384 to £2,820,831, the other operations for the week (no longer shown separately) raised the gross National Debt by £60,931,301 to £18,343 million.

NET ISSUES (£ thousands)	
Overseas Trade Guarantees	32
P.O. and Telegraph	120
	152

NET RECEIPTS (£ thousands)	
Overseas Trade Guarantees	27
War Damage Act	1,005
	1,032

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Sept. 19	975.0	Not available		
1943				
May 22	1050.0	233.3	983.5	4167.7
May 29	1065.0	Not available		
June 5	1080.0	"		
" 12	1095.0	"		
" 19	1110.0	"		
" 30	302.8	244.4	55.0	925.5
July 3	1140.0	Not available		4253.1
" 10	1155.0	"		
" 17	1165.0	"		
" 24	1170.0	"		
" 31	1170.0	309.0	"	973.5
Aug. 7	1170.0	Not available		4351.6
" 14	1170.0	"		
" 21	1170.0	"		
" 28	1170.0	313.2	"	1045.0
Sept. 4	1170.0	Not available		4420.6
" 11	1170.0	"		
" 18	1170.0	"		

TREASURY BILLS (£ millions)

(£ millions)					
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942 Sept. 11	75.0	157.3	75.0	s. 19 10 87	40
May 28	90.0	159.5	90.0	20 1.13	46
June 4	90.0	154.5	90.0	20 0.80	46
" 11	90.0	152.8	90.0	20 0.76	47
" 18	90.0	160.8	90.0	20 0.69	42
" 25	90.0	165.2	90.0	20 0.47	42
July 2	90.0	173.5	90.0	20 0.37	38
" 9	90.0	180.2	90.0	20 0.28	35
" 16	90.0	175.4	90.0	20 0.20	33
" 23	90.0	164.6	90.0	20 0.9	40
" 30	90.0	182.8	90.0	19 11 23	30
Aug. 6	90.0	195.6	90.0	20 0.02	28
" 13	90.0	182.5	90.0	19 11 95	30
" 20	90.0	175.1	90.0	20 0.42	38
" 27	90.0	194.0	90.0	20 2.35	29
Sept. 3	90.0	200.4	90.0	20 2.40	26
" 10	90.0	193.3	90.0	20 2.57	29
" 17	90.0	183.6	90.0	19 11.10	41

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s				
12 U.S.F.R. BANKS	Sept. 17, 1942	Sept. 2, 1943	Sept. 9, 1943	Sept. 16, 1943
Gold certifs. on hand and due from Treasury	20,563	19,968	19,953	19,914
Total reserves	20,804	20,388	20,375	20,362
Total cash reserves	226	317	307	320
Total U.S. Govt. secs.	3,573	9,187	9,336	9,653
Total bills and secs.	3,598	9,267	9,418	9,695
Total resources	26,139	31,263	31,379	32,589
LIABILITIES				
F.R. notes in circ.	10,392	14,960	15,111	15,165
Excess nr. bank res.	3,040	1,150	1,440	2,050
Mr. bank res. dep.	12,760	12,915	13,351	13,729
Govt. deposits	6	213	6	6
Total deposits	14,005	14,701	14,732	15,236
Total liabilities	26,139	31,263	31,379	32,589
Reserve ratio	85.3%	68.7%	68.3%	67.0%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,747	22,243	22,223	22,204
Treasury & bank currency	3,346	4,098	4,090	4,093
LIABILITIES				
Money in circulation	13,440	18,571	18,740	18,773
Treasury cash and dep.	2,212	2,492	2,261	2,272

RESERVE BANK OF INDIA

Million rupees

Assets	Sept. 11, 1942	Aug. 20, 1943	Aug. 27, 1943	Sept. 3, 1943	Sept. 10, 1943
Gold coin & bullion	444	444	444	444	444
Rupee coin	274	142	149	150	142
Balances abroad	781	943	967	961	1,033
Sterling securities	3,248	6,138	6,188	6,238	6,318
Ind. Govt. rup. secs.	1,024	934	884	824	834
Investments	65	77	77	78	78
LIABILITIES					
Notes in circ.: India	4,886	7,551	7,546	7,569	7,620
Notes in circ.: Burma	141	334	396	185	284
Deposits: Govt.	650	627	606	775	715
Deposits: Banks	74.0%	86.0%	86.5%	87.2%	87.4%
Reserve ratio	74.0%	86.0%	86.5%	87.2%	87.4%

AUSTRALIAN COMMONWEALTH BANK—Million £'s

Assets	July 20, 1942	July 1943	July 1943	July 1943
Gold and English ster.	26.61	36.39	36.39	36.39
Other coin, bullion, etc.	6.86	9.95	10.74	9.81
Call money, London	34.79	43.86	46.26	46.78
Secur. and Treas. bills	104.48	207.02	210.07	207.92
Discounts and advances	27.46	21.55	21.92	21.47
LIABILITIES				
Notes issued	104.86	140.26	140.76	141.51
Deposits, etc.	126.30	166.14	171.48	167.86

BANK OF CANADA

Million Can. \$'s

Assets	Aug. 26, 1942	Aug. 11, 1943	Aug. 18, 1943	Aug. 25, 1943
Reserve: Gold	1.0	20.1	32.2	41.3
Other	845.1	1,143.8	1,136.9	1,141.8
LIABILITIES				
Note circulation	586.1	784.8	786.1	789.5
Deposits: Dom. Govt.	21.6	48.6	59.0	62.8
Chartered banks	212.3	295.3	292.2	303.4
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

Assets	Aug. 3, 1942	July 1943	July 1943	July 1943
Gold and ster. exch.	28.05	31.25	32.83	34.58
Advances to State	32.06	39.98	38.96	34.05
Investments	4.15	10.31	10.31	10.31
LIABILITIES				
Bank notes	26.13	32.32	32.59	32.83
Demands liab.: State	14.35	17.21	22.97	14.36
Banks and others	22.56	33.06	26.74	26.22
Reserve to sight liab.	44.5%	37.8%	39.9%	38.8%

UNITED STATES: MONTHLY STATISTICS

Unit of Measurement	Monthly Average											
	1929	1932	1939	1940	1941	1942	June	July	Aug.	Feb.	Mar.	Apr.
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	176	178	183	202	202	203	203
2. Manufacturing, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
3. Non-dur., adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
4. Minerals, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
Building contracts awarded:—												
6. Total, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
7. Residential, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
8. Other, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
9. Freight-car loadings, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
10. Dept. store sales, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
Employment:—												
11. Non-agricultural, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
12. unadj. B.L.S.	110	58	108	122	155	176	178	183	202	202	203	203
13. adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
14. Factory, adj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
15. unadj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
16. payrolls, unadj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
17. Average hours, B.L.S.	110	58	108	122	155	176	178	183	202	202	203	203
18. hourly earnings, B.L.S.	110	58	108	122	155	176	178	183	202	202	203	203
19. Cost of living, F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
Wholesale prices:—												
20. Farm products, B.L.S.	110	58	108	122	155	176	178	183	202	202	203	203
21. Foods, B.L.S.	110	58	108	122	155	176	178	183	202	202	203	203
22. Other commodities, B.L.S.	110	58	108	122	155	176	178	183	202	202	203	203
23. Wholesale commodity prices, unadj. F.R.B.	110	58	108	122	155	176	178	183	202	202	203	203
Bank Debts:—												
24. Total, all reporting centres	110	58	108	122	155	176	178	183	202	202	203	203
25. New York City	110	58	108	122	155	176	178	183	202	202	203	203
26. Gold stock	110	58	108	122	155	176	178	183	202	202	203	203
27. Money in circulation	110	58	108	122	155	176	178	183	202	202	203	203
28. Member Bank Res. Balances	110	58	108	122	155	176	178	183	202	202	203	203
29. Excess Reserves	110	58	108	122	155	176	178	183	202	202	203	203
30. Capital issues, C.F. Chronicle	110	58	108	122	155	176	178	183	202	202	203	203
31. 354 Indus. securities, Stand. Statistics	110	58	108	122	155	176	178	183	202	202	203	203
32. Yield on Govt. bonds	110	58	108	122	155	176	178	183	202	202	203	203
33. Income payments, adj.	110	58	108	122	155	176	178	183	202	202	203	203
34. Treasury receipts	110	58	108	122	155	176	178	183	202	202	203	203
35. expend., national defence	110	58	108	122	155	176	178	183	202	202	203	203
36. " " total	110	58	108	122	155	176	178	183	202	202	203	203

(Continued from page 444)

Bank return shows bankers' deposits at the relatively high level of £164,395,000, an increase of £10,181,000 on the week. An increase of £8,231,000 in Government securities is the main counterpart to this expansion in bank cash, and probably reflects the special assistance given to the market in the earlier part of the week. It is reported in the market that yet another discount house, Messrs. Allen, Harvey & Ross, are about to increase their capital.

MONEY RATES, LONDON.—The following rates remained unchanged between Sept. 17th and Sept. 23rd:—

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%; 3 months, 1½-1½%. Day-to-day money, 1-1½% (Sept. 20-23, 1-1½%). Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½% at notice ½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Sept. 17th and Sept. 23rd. (Figures in brackets are par of exchange.)

United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (1.36) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25.22) 17-30-40. Sweden. Krona (18.159) T.T. 16-85-95. Dutch West India. (12-17) 7-58-62; Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$ (4.02-04) mail transfers 4-02-04. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40.00 (Official rate). Turkey. Piastres 520. Italy. 71-25 liro.

Market Rates.—The following rates remained unchanged between Sept. 17th and Sept. 23rd:—

Egypt. Piastres (97½) 97½-98. India. Rupees (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-177. China. National \$3-3½. Iran. 12-78-130.

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 16-03 pesos.

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.

NEW YORK EXCHANGE RATES

New York on	Sept. 15	Sept. 16	Sept. 17	Sept. 18	Sept. 20	Sept. 21
Cables:—						
London	402½	402½	402½	402½	402½	402½
Montreal	90-180	90-125	90-180	90-180	90-250	90-250
Zurich	31-90	31-90	31-80	31-25	31-00	31-00
B. Aires	25-00	25-00	25-00	25-04	25-04	25-04
Rio	5-15	5-15	5-15	5-15	5-15	5-15
Lisbon	4-10	4-10	4-10	4-10	4-10	4-10

* Official buying rate 29-78. † Free rate. § Bid. ‡ Offered.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1942		Prices, Year 1943		Name of Security	Price, Sept. 14, 1943	Price, Sept. 21, 1943	Yield, Sept. 21, 1943	Prices, Year 1943		Last two Dividends			Name of Security	Price, Sept. 14, 1943	Price, Sept. 21, 1943	Yield, Sept. 21, 1943
High	Low	High	Low					High	Low	(a)	(b)	(c)				
British Funds																
83½	81	83½	78½	Consols 2½%	79	78½	£ s. d.	51/9	46/7½	4	a	% b	Iron, Coal and Steel	47/3	47½	4 13 s. d.
113½	109½	112½	109½	Consols 4½% (after 1957)	110½	110½	3 13 0	27/6	29/3	11½	b	3½ a	Babcock & Wilcox £1	55/6xd	55/3	5 8 6
100½	99½	100½	100½	Conv. 2½% 1943-45	100½	100½	1 19 9	28/-	23/-	3	a	5 b	Bolover Colliery Ord. £1	27/6	27/6	3 12 6
101½	99½	102½	100½	Conv. 2½% 1944-49	101½	101½	2 9 2	29/-	21/7½	Nil	c	8 c	Brown (John) Ord. 10/-	23/6	23/6	6 16 0
103½	101½	104½	102½	Conv. 3½% 1948-53	103½	103½	2 5 0	35/4	30/-	4	a	6 b	Colvilles Ord. £1	27/6	27/6	5 17 3
103½	101½	104½	102½	Conv. 3½% (after 1961)	103½	103½	3 7 0	35/9	30/6	15	b	6 c	Dorman Long Ord. £1	27/6	27/6	5 16 0
103½	101½	104½	102½	Conv. 5% 1944-64	104½	104½	2 16 9	54/7½	50/-	12½	a	12½ c	Guest Keen & Co. Ord. £1	34/6	34/6	5 16 0
98½	97½	98½	97½	Funding 2½% 1958-61	98½	98½	2 15 9	39/10½	34/6	6	b	4 a	Hadfields Ord. £1	53/3	53/3	2 8 9
101½	98½	101½	99½	Funding 2½% 1952-57	100½	100½	3 0 3	11/6	8/3	5	c	10 c	Stewarts and Lloyds £1	53/-	53/-	4 14 0
102½	99½	102½	99½	Funding 3% 1959-69	99½	99½	2 19 9	27/4½	24/4½	5½	b	2½ a	Swan, Hunter Ord. £1	36/6	36/6	5 9 3
116½	113½	115½	112½	Funding 4% 1969-90	114½	114½	2 2 0	20/10½	17/10½	6	b	4 a	Thomas (Richard) Ord. 6/8	10/3	11/-	6 0 11
102	100½	102½	100½	Nat. Def. 2½% 1914-48	101½	101½	1 2 9	26/7½	24/3	7½	a	10 c	United Steel Ord. £1	25/3	25/3	6 6
101½	99½	102½	100½	Nat. Def. 3% 1954-58	101½	101½	1 16 0	46/6	41/6	10	c	10 c	Vickers Ord. 10/-	19/6	19/6	5 2 9
101½	99½	102½	100½	War Bonds 2½% 1945-47	102½	102½	2 16 2	36/3	14/3	Nil	c	Nil c	Textiles			
101½	99½	102½	100½	War Bonds 2½% 1946-48	102½	102½	3 0 0	49/10½	44/3	17½	c	17½ c	Bradford Dyssord Ord. £1	21/9	22/3	Nil
101½	99½	102½	100½	Savings Bank 3% 1955-65	103½	103½	1 13 3	56/-	45/-	5	b	2½ a	British Celanese Ord. 10/-	32/6	32/-	Nil
115½	112½	115½	112½	Victory Bonds 4%	113½	113½	3 0 1/2	56/-	45/-	5	b	2½ a	Crofts, J. & P. Ord. £1	48/6	49/-	3 11 3
103	100½	103½	100½	War Loan 3% 1955-59	103½	103½	2 18 6	45/-	35/-	3	a	3 a	Courtalds Ord. £1	54/9	55/-	2 14 6
106½	103½	106½	103½	War Loan 3½ aft. 1952	103½	104½	3 7 2/2	37/9	31/-	7½	c	7½ c	Fine Cotton Spinners £1	22/9	23/-	3 5 3
97½	95½	98½	93½	Local Loans 3%	94	93½	3 4 0						Lancs. Cotton Corp. £1	36/-	36/6	4 2 3
101	98½	100½	97½	Redemption 3% 1986-96	98	98	3 1 7	101/10½	76/3	5	a	15 b	Electrical Manufg.			
102	100½	102½	101	Austria 3% 1933-53	101	101	2 17 8	26/7½	24/9	12½	b	7½ a	Callenders Cable, &c. £1	26/-	26/-	3 16 3
102	100½	102½	101	Australia 5% 1945-75	102	102	4 4 0	41/6	38/6	10	c	10 c	Crompton Park, 'A' 5/-	48/-	48/-	4 3 0
102	100½	102½	101	New Zealand 5% 1946	102	102	3 14 0	91/6	85/-	17½	c	17½ c	English Electric Ord. £1	90/-	91/-	3 16 6
111	106½	112½	110	Nigeria 5% 1950-60	111	111	3 4 5	43/3	37/-	3	a	5 b	Gas and Electricity	41/-xd	40/6	3 19 0
108½	105½	108½	105½	Corporation Stocks	106½	106½	2 14 0	35/-	31/3	4½	b	2½ a	County of London £1	19/6	19/6	2 11 3/4
97	93½	98½	92½	Birmingham 5% 1946-56	93½	93½	3 4 6	42/-	37/3	5½	b	3 a	Gas Light & Coke Ord. £1	32/6xd	32/6	4 6 0
100½	98	100½	99½	L.C.C. 3%	99½	99½	3 0 8	42/9	39/3	5	b	3 a	North-East Electric £1	38/-	38/-xd	4 9 3
106½	104	106½	104	Liverpool 3% 1954-64	104	104	3 2 10	28/4½	19/7½	10	c	10 c	Scottish Power Ord. £1	40/6	41/-	3 18 0
102	97½	102	99½	Middlesex 3½ 1957-62	101	101	4 8 8	25/9	22/-	7½	c	7½ c	Yorkshire Electric £1	28/-	28/-	1 15 9
64½	60½	64½	60½	Foreign Governments	62½	64½	3 17 6½	15/3	12/-	6	b	4 a	Motor and Aircraft	25/3	25/6	5 17 3
35	23½	36½	30	Argentina 4½ Stg. Bds	31½	32	5 4 3½	19/6	16/3	18	c	18 c	Birmingham S.A. £1	13/7½	14/3	7 0 0
103½	76	106	100	Brazil 5% Funding 1914	101½	101	3 19 3	35/10½	30/3	6	c	6 c	Bristol Aeroplane 10/-	16/4½	16/4½	4 17 6
92½	70½	97½	88	Chile 6% (1929)	92½	93	3 3 10	19/10½	16/7½	17½	b	15 a	Fairey Aviation Ord. 10/-	35/6	35/6	3 7 6
61½	73	76	58½	Egypt Unified 4%	61½	62	5 11 1	78/3	68/9	2½	a	12½ b	Ford Motors Ord. £1	16/10½	16/9	9 14 6
				Portuguese 3%	96½	94		45/6	37/6	10	a	7½ b	Hawker Siddeley 5/-	77/6	77/6	3 17 9
				Spanish 4%	72	72		111/3	98/1½	20	c	20 c	Lucas (Joseph) Ord. £1	108/9	110/-	3 12 6
													Morris Motors 5/- Ord.			
													Rolls-Royce Ord.			
Shipping																
													Cunard Ord. £1	23/9	23/6	2 2 6
													Furness, Withy Ord. £1	24/6	25/-	4 16 0
													P. & O. Def. £1	34/-	33/6	4 14 0
													Royal Mail Lines Ord. £1	23/-	23/-	5 4 0
													Union Castle Ord. £1	19/-	19/9	5 6 6
Rubber																
													Allied Sunatra Rbr. £1	11/3	11/-	Nil
													Anglo-Dutch of Java £1	17/9	17/9	Nil
													Jokal (Assam) Tea £1	36/6	36/6	5 9 3
													London Asiatic Rbr. 2/-	2/4	2/3	Nil
													Rubber Platts, Trust £1	20/-	19/9	Nil
													United Serdang Rbr. 2/-	2/1	2/1	Nil
Oil																
													Anglo-Tanquer Ord. £1	106/3	107/6xd	3 14 6
													Burnham Oil Ord. £1	80/7½	81/3	3 1 3
													Shell Transport Ord. £1	82/6	83/-	1 4 0
													Trinidad Leaseholds £1	93/9	95/-	3 3 0
Miscellaneous																
													Assoc. P. Cement Ord. £1	63/1½	64/6	2 15 9
													Barker (John) Ord. £1	66/3	67/3	2 19 9
													Bolton Pure Drug Ord. 5/-	42/6	42/6	2 16 6
													British Aluminium £1	18/3	47/6xd	4 4 0
													Brit-Amr. Tobacco £1	111/1½	111/1½	1 16 0
													Cable & Wire, Hdg. Stk. £1	80/-xd	80/-	3 15 0
													Carreras 'A' Ord. £1	135/-	135/-	4 1 3
													Dunlop Rubber Ord. £1	40/3	40/-	4 0 0
													Elec. & Mus. Ind. 10/-	27/9	28/3	2 2 6
													Gestetner (D.) 5/-	33/6	33/11	1 14 6
													Harrisons & Cros. Def. £1	75/-	76/3	4 2 0
													Imperial Chemical Ord. £1	78/-	78/3	2 5 0
													International Nickel £1	44½	44½	4 6 0
													Lever & Unilever Ord. £1	37/-	36/6xd	2 14 9
													London Brick Ord. £1	62/6	62/6	3 4 0
													Marks & Spencer 'A' 5/-	59/-	59/-	2 19 0
													Murex £1 Ord.	101/3	102/6	3 18 0
													Pinchin Johnson Ord. 10/-	37/-	37/-	2 12 0
													Spillers Ord. £1	66/-	65/-	3 16 0
													Tate and Lyle Ord. £1	71/-	72/-	4 0 0
													Triplex Safety Glass 10/-	39/-	38/-	2 12 9
													Trust Investments Ord. £1	93/-	93/-	4 6 0
													Turner & Newall Ord. £1	79/6	79/-	3 3 0
													United Molasses Ord. 6/8	53/-	53/6	3 9 0
													Woolworth Ord. 5/-	58/-	58/-	3 9 0
Mines																
													Ashanti Goldfields Prd. 4/-	59/-	59/4½	5 7 9
													Burma Corp. Ord. Rs. 9	67/0½	7/1	Nil
													Golds. of S.A. £1	20/6	20/4	3 7 0
													De Beers (De J.) £2½	59/1	59/1	4 19 0
													Randfontein Ord. £1	34/4½	34/4½	10 12 0
													Rhokana Corp. Ord. £1	7½	7½	1 18 0
													Roan Antelope Corp. 5/-	13/9	14/4	3 11 3
													Sul Nigeli Ord. 10/-	6½	6½	1 17 0
													Union C. 12/6 ft. pd.	8½	8½	4 16 0
													W. Witwatersrand 10/-	10½	10½	Nil

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Sept. 16.....	5,260	3,821	105.2	133.2
" 17.....	5,550	3,735	105.3	133.2
" 20.....	7,124	4,311	105.4	133.2
" 21.....	6,201	3,695	105.4	133.2
" 22.....	6,194	4,240	105.4	133.2

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 105.5 (Sept. 13); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

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

	1943		Sept. 1, 1943	Sept. 8, 1943	Sept. 15, 1943
	Low Jan. 6	High July 13			
37 Industrials.....	81.1	103.5	96.6	96.3	97.2
32 Rails.....	72.6	99.9	91.3	88.6	91.3
40 Utilities.....	67.9	89.6	87.2	87.4	86.9
419 Stocks.....	78.5	100.9	94.8	94.5	95.2
Av. yield %.....	5.36	4.35	4.68	4.70	4.65

* 50 Common Stocks.

(a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Sept. 9....	117.8	1,092,000	Sept. 13....	117.8	506,000
" 10....	118.0	760,000	" 14....	117.1	439,000
" 11....	117.8	296,000†	" 15....	117.8	596,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending	Nominal	Con-	New
September 25, 1943	Capital	versions	Money
To Shareholders only.....	350,000	—	475,000

Particulars of Government issues appear on page 445.

Year†	Including Conversions	Excluding Conversions
1943.....	1,297,376,688	1,277,748,615
1942.....	1,131,216,575	1,116,495,827

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1943.....	1,274,524,095	2,585,843	638,677	1,266,735,022	2,127,701	8,885,892
1942.....	1,116,091,365	349,272	55,190	1,109,547,891	930,742	6,017,194

* Conversions Excluded. † Includes Government issues to September 14, 1943, only. Above figures include all new capital in which permission to deal has been granted.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5224

REGISTERED AS
A NEWSPAPER

OCTOBER 9, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Military Approach - - - 481
The Upper Regions - - - 483
What Kind of Agriculture? 484

The Means of War - - - 486
US Economic Policy - - - 492
"Fascist Republic" - - - 494

NOTES OF THE WEEK - - - 487

THE BUSINESS WORLD

Mr Morrison Speaks Out; Democracy and Enterprise; New Sea Lord; The Italian Front; Goebbels at Home and Abroad; Interval in Russia; Practical Demobilisation; Strikes and Strikers; Depressed Areas; Pay-As-You-Earn; Finnish Tug-of-War; Terror in Denmark; Total Demolition?

AMERICAN SURVEY - - - 492

The Great Contradiction; Re-birth of an Elephant; The Senators Report; The Tax Programme; Orphan Annie; Shorter Note.

THE WORLD OVERSEAS - - - 494

"Fascist Republic"; Crisis in Croatia; Russia at War.

BOOKS RECEIVED - - - 496

BUSINESS NOTES - - - 498

White Plan No. 3; Secular Movements; More Fiduciary Notes; Non-Residents' Investments; Engineering Wages Interpretation; Strike Statistics; Women Trade Unionists; Larger Treasury Bill Tender; Limerick Borrowers Short; Banks and TDR Payments; Railway Fuel Economy; Odeon Theatre Accounts; Industrial Health and Safety; Laundry Services; September Debt Changes; Adequate Copper Supplies; Skilled Men for the Services; Company Results.

COMPANY MEETING - - - 503

RECORDS AND STATISTICS - - - 503

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION: £3.

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
Amritsar	Colombo	Mandalay	Mombasa	Colony
Bombay	Delhi	Nuwara	Nairobi	British
Calcutta	Kandy	Elia	Nakuru	E.A.
Cawnpore	Karachi	Rangoon	Entebbe	
Chittagong	Lahore	Tuticorin	Jinja	Uganda
Dar-es-salaam	Mwanza	Tanga	Kampala	
			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.

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)

Company requiring investment in ships Mortgages invites applications from accountants. Write Box 119, THE ECONOMIST, Brettenham House, Lancaster Place, W.C.2.

THE FINANCIAL NEWS

though in short supply can still be purchased daily up and down the country. Should any difficulty arise write to the Publisher at 20, Bishopsgate, E.C.2, and he will guarantee to supply you.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$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, 3,900 Agencies at Post Offices in Australia.

As at 30th June, 1942—General Bank Balances ...	£161,729,888
Savings Bank Balances ...	£4,619,893
Note Issue Department ...	£11,950,774
Rural Credits Department ...	£2,421,174
Other Items ...	£20,380,871
	£201,101,748

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

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 15th October, 1943, both dates inclusive, for the preparation of Preference and Ordinary Share dividend warrants.

Warrants will be posted on October 14th.

By Order of the Board, F. W. CATER, Secretary.

Toll End Road, Tipton.

9th September, 1943.

Large industrial organisation has vacancies in its Office Administration Department for assistants aged 25 to 30, possessing suitable training and experience. Applications particularly invited from qualified accountants. Only men who have been discharged from the forces or who are not liable for military service on health grounds will be considered, and all must be prepared to work in any part of this country. Liberal starting salary, based on experience and qualifications, and excellent prospects for advancement.—Write, giving details, to Box No. 353, c/o. DAWSONS, 31, Craven London, W.C.2.

Military Approach

IT is recorded of Lenin that, a few weeks before the outbreak of revolution in Russia, he told a conference of students in Switzerland that they might hope to see the revolution, but that he never would. Thus the master of revolution was caught unawares by the revolution which he was later to master. This illustrates a fact about revolt and revolution that is often forgotten, both by the practitioners of political warfare and by those who criticise their practice. Revolution is unpredictable. The hour of the popular explosion cannot be timed. The recent uprising in Denmark and the spring disturbances in Holland, for instance, were obviously ill-timed in the total military situation. But the people who made them were not thinking about timing; they had reached the point at which they had to resist. The same difficulty is partly responsible for the divisions inside every guerilla movement between the *attentistes* and the activists. The long-term military situation has hitherto justified a policy of shepherding resources; but again and again the immediate local situation has compelled the guerillas to act. Much of the criticism of the Allies' political warfare is, for this reason, off the mark. Revolution cannot be handled like a water supply, dammed up until the head of water is high enough and then turned on and off at will.

Yet, even if Lenin could not predict the revolution, he was master of it when it came. He met its various

phases with a brilliantly improvised strategy which was flexible enough to keep pace with the devious developments of the revolutionary process, yet consistent enough to ensure that none of the temporary expedients contradicted the final purpose. It is when criticism is concentrated on the use made in Allied strategy of the revolts once they have developed that the critics are on surer ground. Is Allied strategy flexible enough to exploit a revolutionary situation once it has—unpredictably—occurred? And is the use they make of it such that it in no way contradicts the final settlement for which, whether or not they try to evade it, they are responsible? The evidence so far suggests that both in flexibility and consistency the politico-military strategy of all the great belligerents is frankly bad.

In his analysis of the Italian surrender Mr Churchill made it clear that the Italian collapse did not alter the military time-table. It was, he said, a "windfall" in the harvesting of victory. This is borne out by the fact that, although Badoglio had, it appears, offered not only to surrender unconditionally, but actually to change sides early in August, it was not until August 18th that the Government suggested to the Allied Commanders-in-Chief that they might try to speed up their operations. Again, in the Balkan theatre, it was obvious that the surrender of Italy would entail a temporary collapse of the Axis defence system and a widespread intensification

guerilla warfare and local revolt. The Allies presumably had the advantage over the Germans since they knew when the collapse would occur; yet in the weeks that have followed, one of the most disturbing and distressing puzzles for the unexpert observer is the fact that the fierce struggle in the Balkans has received no reinforcement from outside. For a time, the guerillas held all the hinterland to Trieste and most of the Adriatic ports. The latest news suggests that they are already being thrust back from the lines of communication and the ports and towns. An opportunity has apparently been lost. It is impossible not to ask whether Allied strategy has not failed in flexibility and adaptability, especially when the Allied record is compared with the political and military counter-measures taken by Germany.

Both in Italy, the Balkans and the Greek islands, the Nazis reacted swiftly. Some reports suggest that over 20 divisions have been moved into the Balkans; and men and machines have been spared for an air and seaborne attack upon the Aegean island of Cos. This may very well prove to be an uneconomic demonstration of flexibility; but Cos is the island lying nearest to Turkey, and the Germans have their finger on the Turks' timid pulse. Their political counter-measures—the release and restoration of Mussolini, for example—have shown an equal vigour. Although in the longer perspective of the war the Germans are fighting a losing battle both in Italy and the Balkans, their strategy is still flexible enough to turn particular phases of their inexorable retreat to their advantage.

There are, obviously, many technical difficulties—shortage of landing craft and large-scale air transport, lack of adequate bases and so forth—to slow up the deployment of the Allies' Mediterranean and Middle Eastern forces; but developments in Italy and the Balkans suggest that the apparent failure fully to exploit political collapse and local revolt springs from a consistent underestimate of the importance of political factors. The British and American approach has been, and still is, primarily military. This was perfectly adequate in all the first fighting in North Africa. The Libyan sands and empty stretches of Tripolitanian desert were the perfect setting for a purely military campaign. The landings in French North Africa first plunged the Allies into politics. Since that time, the political pressure on them has increased, and the further they advance into Europe the greater the part that will be played by political factors. Yet they seem to be taking with them their old non-political attitude. The danger is that the non-political approach not only reduces flexibility in dealing with a revolutionary situation, but also makes it highly probable that the temporary measures taken may frustrate, or even entirely inhibit, the Allies' final purpose. Military necessity is not a sufficient criterion with which to distinguish good from harmful expedients. The final settlement of Europe will be a political settlement, and unless some political principles are brought in during the intermediate period of reoccupation the sum of temporary and military arrangements may add up to a negation of the hoped-for political settlement.

It is disturbing that, while full and convincing reports of the state of Italian politics came from the Italian cities before the Allied occupation, no news at all reaches the outside world from Italian territory occupied by the Allies. Does this mean that political activity has been suppressed? If so, why? If there is one thing needed among the dragoned and bludgeoned victims of dictatorship, it is that they should be encouraged to restore the habit of political thought and action. The new Badoglio Government is even more disturbing. True, the King of Italy has broadcast his hope that

as soon as possible the Government will have its basis enlarged so as to make possible for all to take part in the country's political life.

And there might be no harm in appointing a purely military council as a temporary expedient. But what sort of crazy politics is this, to include in the Junta, to which, presumably, the status of co-belligerency is to be accorded, Generals—Ambrosio and Roatta—who earned a

reputation for ruthless terrorism in Yugoslavia, and one of whom has already appeared on the Yugoslavs' list of war criminals? This is to flout political good sense in the grand manner. It puts into the shade every other unsatisfactory Allied political arrangement—for example, the Greek Government's failure to accord representation to the Greek partisans or the extremely doubtful personnel of the Yugoslav "Cabinet of experts" which King Peter has shipped off to Cairo.

The truth is that the military approach is being used as an alternative for a political strategy because the Allies have no political strategy. This has been said so often in Parliament and in the press that politicians and journalists alike are weary of repeating it. The only excuse for returning to the charge is the imminence of the Three-Power Conference, and the possibility that at last, at this eleventh hour, something can be done to secure a unified and coherent approach to the political problems of reoccupation. At present, the picture does not make sense. One day from Russia come the Free German Committee and the German Officers' Union, made up of men captured on the Eastern Front, saying, "Make peace while you can and thus preserve Germany's independence and armed might." The next day, Alexei Tolstoi, in an impassioned broadcast, demands that vengeance should be visited on the German people. The Polish Patriots broadcast attacks on the Polish "landlords and imperialists"; but, at the same time, the co-operation of all Slav peoples is given considerable publicity in Russia, reinforced now by appeals to Orthodox religious unity. Communism and social revolution do not appear—nationalism is the strongest single theme—but neither the tradition of the Revolution nor the practice of 1939 and 1940 can be effaced. On the Anglo-American side the composition of the Allied Governments, but more especially the negative policy of the reoccupying forces, suggest only one consistent policy—a restoration of something very like the 1939 *status quo* both in its good and its very undesirable aspects.

The total picture is thus one of considerable contradiction and confusion. No clear lead is being given to the forces of political resistance in Europe; and the kind of expedients which are taken to deal with political situations when they develop will inevitably contradict each other and frustrate any final settlement. What can the Three-Power Conference do to remedy the confusion? No statements in general terms are needed. Everybody signed the Atlantic Charter, and it has made no contribution to Allied political strategy. Agreement is needed to create procedures in particular foreseeable situations: the entry of the Russians into Poland, of the British into the Balkans and even into Germany.

Such agreements cannot be dovetailed into each without a conception of the kind of Europe they mean to build; and the Conference must therefore undertake the task of deciding the more pressing aspects of the settlement—the use of Three-Power Commission strengthened by the other nations concerned, to determine frontier disputes; the setting up and functioning of United Nations relief and the development from it of permanent economic institutions for Europe; the political organisation of Europe, not in spheres of influence, with Germany in the balance, but on an ordered regional basis. If a unified pattern can be hammered out in Moscow, and all the necessary and practicable guarantees and undertakings given, then the Allies will possess at last genuine political strategy which can be used, not only to check the temporary military expedients of the war, but even to hasten the war's end. Hitherto the political confusion which has prevented the Allies from exploiting revolutionary situations when they arise has also inhibited their attempts to create further revolutionary situations. The Walls of Jericho which were to have fallen at the united blast of the Russian, British and American trumpets remain unshaken at the unnerve-cacophony of a couple of cornets and a Swanee which, if the Conference achieves its results, the trumpets sound at last on a broad, united and triumphant note.

The Upper Regions

IT is significant that the President and Prime Minister found time during their recent meetings to talk in detail about civil aviation. Flying has transformed the earth into "One World," to quote Mr Willkie, who last autumn travelled 31,000 miles in 160 flying hours between August 26th and October 14th. News and views still travel fastest by cable and wireless; the great majority of travellers and the great bulk of goods must still go by land or sea; Mr W. L. Runciman has estimated that the cost per ton-mile for carrying freight before the war was 30d. by air and one-thirtieth of a penny by sea. But the pace is increasingly set by aircraft. The potentialities of aviation for peace are as big as those it has shown in war.

It is significant, too, that, according to report, Lord Beaverbrook has come back to the Government to take charge, perhaps among other things, of British aviation policy, and to work out a common approach with representatives of the Dominions who are to meet in London soon. In their discussions, Mr Roosevelt and Mr Churchill agreed that the principle of world aviation policy should be the "freedom of the air." By this is meant that international air traffic should be open equally to the aircraft of all nations, and that the airports of every country should be used by all planes on through voyages; each nation would reserve to itself only its own internal traffic, on the analogy of coastwise shipping. There are, of course, strong reasons for a more drastic arrangement, by which not only all airports, but also the trunk lines themselves would be internationalised. Strategically, such a solution for civil flying might prevent the development of military aviation on nationalistic lines. Socially, the maximum service could be rendered to the community of nations by the organisation in common of the most effective means of international contact and co-operation. It is more than doubtful, however, whether at the present stage of world development the great air powers are prepared to go so far. Aviation, like armaments, cannot be settled and arranged outside the general context of international relations, and the supersession of national by international air lines will follow and not precede the supersession of national by international air forces. Almost certainly, the highest measure of agreement among the air powers, including the Soviet Union, Holland and France, as well as the United States and the British Commonwealth, will be found for "freedom of the air" as President Roosevelt has defined it.

To rule out internationalisation, for the time at least, and to replace it by international freedom of the air on a national basis, is not to solve the problem. Obviously, it suits the United States, four-fifths of whose commercial flying may be within its own continental frontiers. Is it

so applicable to other countries, four-fifths of whose flying may be external and international? It is natural for a country whose home market spans the resources of an entire continent to favour protection at home with competition and non-discrimination abroad, as the United States does in trade as well as aviation—a condition of membership in the American-proposed investment bank is said to be non-discrimination in trade. It is not so simple for lesser territories. The question for the future of civil aviation is what the unit of organisation shall be. It becomes a choice, not at the moment between nationalism and internationalism, but between nationalism and regionalism. Is the British unit to be Britain, the Empire or the whole Commonwealth? For that matter, is the American unit to be the United States or all those parts of the Western hemisphere embraced by the Monroe doctrine or by "hemispheric defence"? The position of Canada shows at once the technical and political impossibility of drawing hard and fast lines.

Almost certainly, the pattern of organisation must be regional rather than national. The Pan-American and Imperial Airways of pre-war years sprang from technical as well as political considerations. It is just as impossible to imagine that the airways of Europe, when they are restored, can be rigidly split up among the European nations without regional working agreements as it would be to suppose that the air routes of the Soviet Union could be divided out among its various constituent republics. Yet regionalism undoubtedly carries with it great dangers. It is tempting to suggest that the alternative to internationalisation is the division of the skies into exclusive "spheres of influence"—British, American, Russian, Chinese, and so on. But this way lies disaster. Spheres of influence in aviation will be as conducive to war, economic and military, as they are in shipping, trade or diplomacy.

Yet, in aviation as in trade, shipping and diplomacy, some degree of regionalism is unavoidable as a matter of practice. The sterling area, for instance, is a fact of economic life, becoming tighter or looser according to the shortage or sufficiency of dollars available to the British countries—that is, according to the readiness of the United States to buy abroad. The problem of Imperial defence, again, is one which concerns first, and in common, the members of the British Commonwealth. Europe, too, in trade, transport and security, is an entity. The essential requirement is that all working agreements or regional arrangements should look outward and not inward. This is peculiarly the lesson of wartime. Imperial defence was impossible without American aid; the security of the Western hemisphere was impossible without the efforts of Britain, Russia and China. Regionalism

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

can, and should, be much more than half-way from nationalism to internationalism; and it is in this light that the aviation policy of the British Commonwealth and the United States should be regarded.

The trouble is that the right solutions are so often proposed for the wrong reasons. When British spokesmen advocate Commonwealth co-operation in the air or in trade as a means of combating the United States, they speak as dangerously and as foolishly as Mr W. A. Patterson, president of the United States Air Lines Corporation, did the other day when he suggested the lumping together of all the international transport of the United States, both by sea and air, in order to give the United States "maximum strength for competition with foreign Powers." The one justification for regional aviation or regional trade or regional currency and exchange arrangements is technical necessity; and an Ottawa or Hawley-Smoot aviation policy, exclusive, protective and defensive, would be as fatal to aviation as to world peace. Here, as elsewhere, multilateralism must be the aspiration, even if it cannot be the policy. Because of the ubiquity of flying, the considerations that make regional arrangements indispensable make inter-regional agreements no less necessary.

The ideal, therefore, indeed the only sensible practical objective, is the working-out of a chain of regional and inter-regional arrangements which will add up to practical internationalism. It is in this spirit that early talks between the British Commonwealth, the United States, Russia and the air powers of Europe should be carried on. Fear and distrust are the enemies in this as in every other international question. A belligerent nationalism or imperialism is sponsored by some spokesmen here because they do not believe that British aviation can withstand American competition. Actually, on the figures (which were discussed in *The Economist* of June 5th), there is little reason for this apprehension. The costs of civil flying divide roughly into three equal parts: labour and personnel; aircraft, equipment and overheads; operations, fuel and oil. In none of these will the United States have any decisive advantage in cost, and in two the balance may be in favour of this country. The test will be whether British aviation is operated with an efficiency and enterprise equal to that of the Americans. In the past, this

has not always been so. The record of the Air Ministry and its chosen instrument has not been the best of advertisements for public control over aviation. British shipping companies, with their wide experience in overseas transport, have announced their intention, if possible, of operating airlines themselves. The choice between Government-run air transport, public corporations or private airlines is not one to be decided on the basis of prejudice or political doctrine. The only criterion is the efficient use of resources and service to the community. It is likely that, in some form or other, aviation in every country will require some form of state aid, if only in the form of mail contracts; but the precise method of operation is immaterial provided the right results can be obtained. The best direct contribution that the state can make to British aviation is the maintenance of a sufficient military demand to keep in being an efficient and enterprising aircraft industry. If (as was suggested in *The Economist* of August 21st) the Royal Air Force is kept at an establishment requiring an output of some 3,000 aircraft a year, civil aviation, whose annual needs cannot be much more than one-third of this, if as much, need have no fear about the size of its industrial basis. The important need, immediately, is one of quality, not quantity. For wartime reasons, transport planes are not built in this country; and when the war ends, British aviation will be for a time, as now, dependent on American transports. British aircraft designers have already been set to work to fashion four new transport types. It is important in the development of a positive and articulate aviation policy that this work should be pressed on to the point of production as soon as possible.

These are the questions that Lord Beaverbrook, or some other, will have in hand. If the chosen instrument is, in fact, Lord Beaverbrook, then it is essential, first, that his vivid personal experience of Washington and Moscow should outweigh the inveterate imperialism which made the commercial ring forged at Ottawa congenial to him; and, secondly, that in the work of providing civil aviation with an adequate industrial foundation, other Ministers with considerably closer acquaintance of aircraft manufacture should not be elbowed aside. In both world and home politics, the Lord Privy Seal's reported mission is of crucial importance.

The Agricultural Problem—I

What Kind of Agriculture?

IN Wales last week the Minister of Agriculture touched on the double problem that will face British agriculture in the next few years. Immediately after the war, the requirements to be met by the agriculture of all undevastated countries will not differ much from those of wartime. The main aim will still be to maximise the output of energy foods for direct human consumption; the criterion will still be quantity rather than quality or comparative costs. Siege farming and relief farming do not differ much; this was recognised at the Hot Springs Conference. On the other hand, it was also recognised at Hot Springs that the real aim, when the period of transition is over, should be to increase productivity everywhere, which means the application of quite different principles. Broadly, these principles are three: first, that consumption needs should be met from the most efficient sources of production in whatever area, at home and abroad, these may be found; secondly, that, with the utmost safeguards for the conservation of soil fertility, the industrial and economic advantages of any area should determine the kind of farming adopted and the sort of commodities produced; and, thirdly, that, within this framework, there should be a prior charge upon each individual country to produce protective foods of high nutritional value, such as milk, dairy produce, vegetables and fruit, most of which are perishable and best produced near to centres of production. This is a very different picture from that of wartime farming, when barriers to

trade and shortages of transport, manpower, fertilisers and machinery compel self-sufficiency rather than specialisation. The problem, which is at least as political as it is technical, is to provide in advance for the change-over from the present artificial distribution of output to a more efficient allocation of work between the nations, in order to make possible the provision, in both quantity and quality, of a balanced, as well as a sufficient, diet for all the peoples.

This means that an urgent task to-day, while pressing on with food production on wartime lines, as Mr Hudson urged, is to decide upon the kind of agriculture that will best suit this country's abilities and the world's needs when more normal conditions of production and trade return. Unfortunately, the question "What kind of agriculture should Britain aim at?" is peculiarly difficult to ask without arousing a storm. If the question is asked, "What size should the steel industry, or the aircraft industry, be after the war, and on what products should it specialise?" the query is regarded as prudent and timely. But when the same question is asked about agriculture it tends to be treated as blasphemous. It is all the more important, therefore, that the question should be frankly asked—and answered—if only because vested interests have been created in the temporary kind of farming made necessary by wartime exigencies, which, politically, will make the process of change-over difficult in any case. It is a heartening sign that Mr Hudson did

approach the problem of farming's long-term future with some frankness. He pointed out that the war had made this country, predominantly a livestock producer, into mainly an arable producer, and he said that, ultimately, "We will have to go back to grass on a large scale." He laid special emphasis on milk production, which he said would have to have first priority for many years. The Minister's parallel emphasis on the restoration of beef farming was not perhaps so encouraging, and he said little about dairy, produce and vegetables. Nevertheless, he made the most important point, that the present system of wartime farming, though it may be necessary for a considerable period of world dislocation and threatened famine, cannot and should not last, and must be replaced by a kind of farming that will fit better into the balanced and specialised expansion of all the world's agricultural resources.

On the surface, there is a surprisingly broad consensus of view about the kind of agriculture that this country should aim at. The impression is that the Government has at its disposal a ready-made agricultural programme sponsored by opinion drawn from all quarters. Actually, while it is true that the many published plans for agricultural post-war reconstruction indicate a general desire to see the maintenance of a healthy and prosperous agricultural industry, and show general agreement on such matters as the encouragement of agricultural education and research, better housing and rural amenities, the maintenance of a high standard of farming efficiency, and the improvement of methods of distribution, yet they are very much at variance on the real fundamental economic questions at issue. There is no unanimity on the size of the agricultural industry that is to be maintained after the war or on the character of the farming that is to be practised; and there is an equal diversity of opinion about the methods to be adopted for safeguarding the industry.

The Farmers' Claim

The largest claim is put forward by the National Farmers' Union. This body has proposed, as a minimum, the maintenance in England and Wales of 11 million acres of tillage (excluding all leys), together with a dairy herd of three and a-half million, four million other cattle, 20 million sheep, three and three-quarter million pigs, and 60 million poultry on agricultural holdings. The outstanding proposal is the tillage acreage. Fewer than seven million acres were ploughed in England and Wales in 1938 (including bare fallow), so that the NFU envisage a permanent increase in the ploughed area of about 60 per cent over the pre-war level. The proposed increases in livestock are much more moderate—about 13 per cent for dairy cattle, 9 per cent for beef cattle, 11 per cent for sheep, and 7 per cent for poultry on agricultural holdings. The NFU policy is, shortly, one of making the best of both worlds, maintaining the full expansion in tillage that has occurred at the peak of the ploughing-up campaign of the past four years, together with a moderate increase in the numbers of livestock; its cost in terms of subsidies, higher prices and, assuming a successful policy of full employment, in the diversion of resources from more productive uses, would be very large. The proposal that the growing of fodder crops "should be assisted by the regulation of feeding-stuff imports" is a cardinal feature of the NFU policy.

In contrast to the programme of speeding the plough advocated by the NFU, an all-party group of eleven peers suggests a policy based upon nutritional requirements. They do not neglect the need for a certain minimum acreage under the plough, but they place the greatest emphasis on the expansion of nutritional foods:

At the outset the distinction must be laid down between those commodities, e.g., wheat, meat, sugar-beet, and oats in Scotland, of which we must produce a certain quantity in order to ensure good husbandry, but the production of which need not be expanded beyond the limit needed for that purpose; and those other commodities, e.g., milk, poultry products, fruit and vegetables, for which a large potential market is available, and which can and should be expanded to a considerable degree in the interest alike of agriculture and the national health.

They point out that, if all this country's requirements for protective foods were satisfied from home sources, the following increases on pre-war production would be required: Milk 65 per cent, eggs 60 per cent, fruit 70 per cent, vegetables 60 per cent. The Liberal Party report on Food and Agriculture also looks to an increased output of milk, fruit, vegetables, eggs and livestock, especially milk; and, shrewdly, they prefer a policy of storage for wheat and sugar, maize, oil cakes and other animal feeding-stuffs to "keeping under the plough a large acreage of land growing unsuitable and expensive crops."

The recent Conservative Party report, on the other hand, gives more support to the NFU policy of a greatly increased acreage under the plough. No quantitative proposals are made, but the report submits that "corn production on a larger scale than pre-war will certainly be required"; and that, even in areas where "the main emphasis will be placed on various forms of animal husbandry, and, more especially on dairy farming," there should be "increased reliance on home-grown crops for the feeding of livestock." Moreover, this report gives only qualified support to the suggestion that post-war agriculture should be based primarily on a nutritional policy.

It follows that the attempt (if there be) to separate the produce of British farms into two distinct categories, one of which, though deserving protection, does not require it, while the other, though requiring protection, does not deserve it, cannot logically be sustained. Apart from this, to concentrate entirely on nutritional foods would be to destroy the balance of farming, which experience has shown to be vital.

Farming for Food

Is post-war agricultural policy to be designed to produce food for the people or to maintain a pattern of farming which is regarded as desirable? This is the fundamental question. There can be no question that the Liberal report is right when it says "the policy for agriculture, as well as for industry, must be a consumer's policy . . ." It is to-day impossible to return to the agriculture based on horn and corn that existed a century ago. To attempt to do so is to enter a vicious circle: An old Norfolk farmer was once asked by a city visitor why he kept cattle. "Why, to make dung to put on the crops," he replied. "And why do you grow crops?" "Why, to grow corn to feed the cattle, of course."

A minimum acreage must, of course, be maintained under the plough. Equally, the plough must to an increasing extent be taken round the farm on the modern principle of continuous cropping. But no very great extension in the ploughed area beyond the pre-war level is necessary. Strategic necessities require the maintenance of fertility, but not the maintenance of war-scale production. Fertility may require that land should be ploughed, but not necessarily that it should be cropped; and one of the most successful of all pre-war schemes for maintaining fertility was provided by ploughing up old grass land for re-seeding and manuring.

The test of the approach to a sane post-war agricultural policy will depend largely upon the attitude to imported feeding-stuffs and manures. It is not likely that anyone would openly advocate the restriction of imported fertilisers in order to encourage farmers to keep livestock to produce farmyard manure. Yet at least one of the recent reports on agricultural post-war policy did openly advocate the deliberate restriction of imported feeding-stuffs in the interests of maintaining the tillage acreage. Such a policy would, however, cripple livestock production and the expansion of milk and poultry. If imports of feeding-stuffs are deliberately restricted, it will be because they are cheaper than home-produced feeding-stuffs, and the cost of producing the livestock to which the latter are fed will inevitably be increased correspondingly; and the result will be quite inconsistent with a policy of increasing the output of nutritional foods. If, as is probable, assistance is required to maintain even a minimum acreage under the plough in the post-war years, this assistance should be given directly to the tillage

farmer, and not by artificially restricting the supplies of feeding-stuffs required for the development of livestock production, including milk, poultry and eggs.

The best policy for British agriculture after the war is, in short, that summarised in the resolution of the Hot Springs Conference, which, subject to the overriding principles to maintain soil fertility, recommended that each nation should undertake to direct its policies toward:

(c) Fostering desirable changes in the pattern of production designed to give greater emphasis to foods rich in vitamins, minerals and proteins:

(i) By encouraging the production, particularly in areas near consumption centres, of such products as vegetables, fruits, milk, eggs and meat, which are relatively perishable and high in value and which are also the foods required in greatly increased quantities for better nutrition;

(ii) By encouraging the expansion of livestock production in areas capable of growing or economically shipping in the necessary feeding-stuffs;

(iii) By limiting the production of bulky, easily stored and transported energy foods, in areas where they cannot be produced efficiently.

There is every reason both of international policy and of self-interest why British agricultural policy should be founded on these principles. A large industrial population provides an enormous potential demand at the farm doorstep for protective foods and opens the way to an increase

in production 60 or 70 per cent above the pre-war level. The British market for fresh milk and cream is naturally protected. The pre-war competition of nearby continental countries in bacon, eggs and poultry products is not likely to develop for several years after the war—especially as, in the rehabilitation of European agriculture, crop production will have to be preferred to livestock. The protective foods, moreover, are those which are “high in value”; and in view of the relative shortage of foreign exchange with which this country will be faced after the war, it will clearly be advantageous to grow at home the expensive foods, and to import the cheaper foods, such as cereals, feeding-stuffs and sugar. A policy designed to ensure simply the minimum production of the traditional arable crops required in the interests of the efficient management of the land, but the maximum production of the nutritional foods required for national health will be far less expensive to carry out than a programme designed to maintain as large as possible an acreage under the plough.

The economics of the choices that must be made in deciding the kind of agriculture that is desirable are plain enough. The arguments all point one way. How is the right policy to be put into effect? This will be the theme of a second article.

The Means of War

CONSIDERABLE interest was aroused last week by the publication in *The Times* of a statement signed by Admiral Chatfield, Field-Marshal Milne, Air-Marshal Salmond, Lord Hankey and Lord Winster. Its theme was the unity of all arms, including industrial production and civilian effort, in total war—and, by implication, in preparedness for defence in peacetime. No programme of full employment and social security can be complete unless provision is made, within the proposed organisation of post-war Britain, for the maintenance of essential cadres of material, personnel, planning and ideas for the defence of the realm. *The Times* manifesto was based upon two propositions: first, that “we must now consider war in terms of total war and not in terms of the activities of three individual fighting services, each acting singly in its own element”; and, secondly, that “civil power is the sum of all civil efforts to maintain the war machine, and being the very essence of belligerent power is as important as the strength of the Armed Forces.”

It is easy to see how indifference to these two propositions in both the scale and the manner of defence planning before the war almost brought defeat three years ago. On the one hand, the separation of the three Services in command, training, personnel, equipment and productive facilities meant that the initial war effort of this country, too small in total in any case, was made still less effective by its piecemeal and disparate character. On the other hand, the failure to work out in advance a concerted scheme for expanding the productive facilities of all three arms from a peace footing to a war footing meant that, for a perilously long time, the belligerent power of this country was fantastically disproportionate to its industrial resources. This does not mean that, until complete collective security has been achieved, the whole nation must stand in arms in peacetime as in war—which would indeed be a hideous consummation—though it probably does mean the maintenance of standing forces not far short of a million in number. What it does imply is that the means of war-making, in terms of production, trade, finance, food, raw materials, propaganda, civil defence and diplomacy, as well as of strategy and tactics, should be recognised, planned, revised, improved and developed throughout the years of peace. The rôle of diplomacy must be stressed above all. National defence and preparedness for total war make nonsense except in a framework of the utmost collective security and world collaboration; the only sound basis for all that Britain

must do at home to be safe is the assurance of world aid in the preservation of world peace or the winning of world war.

This is the main importance of *The Times* manifesto. It is in effect a plea that the achievements and discoveries of four years of bloody and often blind fighting should not be squandered this time as they were twenty-five years ago, when all the paraphernalia and methods of total war—mass production, mass mobilisation, the tank and the aircraft—were discovered, exploited and then all but jettisoned. The arguments of the manifesto have become familiar, even commonplace, since 1939. During these years of war, the mistakes and shortsightedness of the pre-war period have been very largely remedied by improvisations. There has been neither the time, nor in some instances the understanding, to start again and place the basis. It has only been possible to achieve the nearest possible approximation to the right method in this or that branch of the war effort in the shortest possible time as the necessity has arisen. The essential requirement is that the right principles rather than these empirical approximations should be the basis of all future defence planning.

It is instructive to compare the right principles, as they emerge from the experience of battle, with the improvisations. Broadly, the principles are three: first, that there should be a single plan to comprehend the entire range of war-making from the combined operations of the Armed Forces to the scale, nature and distribution of production, including essential civilian output and the importation of war goods and necessities from abroad; secondly, that there should be a single hierarchy of command covering all three Services, from their recruitment, equipment and training, to actual operations; and, thirdly, that there should be a similar single and central command over the process of war production. In general, these needs have been satisfied during the war, more or less satisfactorily, by the pre-war method of co-ordination by committees—galvanised at critical moments into surprisingly effective activity by the personality of the Prime Minister and the common sense of conspicuous individuals in the Services and the supply branches of the Government. It is, in fact, Mr Churchill and not the Defence Committee of the Cabinet, who provides the cement that combines the three Chiefs of Staff into something not too unlike a single commander, just as the President and the Prime Minister together perform the same function for the joint Chief

of Staff in Washington. The remarkable degree of collaboration on the battlefield between air and ground forces achieved in North Africa was the consequence of *ad hoc* decisions by the generals and air marshals on the spot. It is symptomatic of the wrong approach in principle that “combined operations” have been a separate branch of the Services; and it is proof of the right approach in practice and on the spot that a series of “trifling” operations on the largest scale have been carried out with great, though definitely limited, success in the Mediterranean area during the past twelve months. In home production, too, improvisation, within its inevitable limitations, has worked wonders. The central Ministry of Production was set up too late. War manufacture was already sectionalised between as many as three separate Ministries. But two important requisites for an integrated policy existed: the single control of manpower by the Ministry of Labour and National Service, and the single control of raw materials under the Ministry of Supply. By these basic controls, by the provident establishment at the outset of the war of a Ministry of Food (with power to ration but not, unfortunately, to determine the distribution of food production) and a Ministry of Shipping, and by the installation, so to speak, of a reasonably efficient telephone system between the different production departments, something not too far removed from an integrated policy has been achieved.

It would be very dangerous, however, for the future security of Britain, if these *ad hoc* achievements on the battlefield and in industry were to be allowed to obscure the serious defects of present methods. The fundamental defect is the perpetuation of inter-Service and inter-departmental rivalries, which can only partially be removed by instructions from the top, and which have not infrequently inhibited necessary action or decisions, both in strategy and production. The establishment of a Ministry of Aircraft Production, for instance, was necessary in 1940 for two reasons: first, because there was no time to make the properly rounded plan of battle that was lacking, and the cry was for aircraft to avert total defeat; and secondly, because the new Ministry was the counterpart of the independent and autonomous Royal Air Force, which was then called upon in a matter of weeks to save the world. But the Ministry is none the less an anomaly. It is odd and unreasonable that, at the present time, when labour is being transferred from munitions production to aircraft manufacture, in accordance with strategic decisions at a higher level, the actual business of recruitment and replenishment should have to pass from the officers of one department, the Ministry of Supply, to the officers of another department, the Ministry of Aircraft Production. And this dichotomy in manpower organisation, only partly bridged by the presence of the Ministry of Labour and National Service, reflects a higher separatism, which tends to decide the competing claims of, say, engines for heavy

bombers and engines for landing craft by balancing claims and pressures rather than by the development of a single plan of action.

The plainest sign, politically, of the old dividing lines that still mark the combined operations of even the fifth year of war is the perpetual argument for and against the existence of an independent air force, in general, and the present bombing policy, in particular. It is the belief of the Royal Air Force that anything less than its present independent status would mean the reduction of decisive air power, in strategy, tactics and equipment alike, to a secondary rôle; and, in the existing set-up, this is almost certainly true. In a departmental system, the only safeguard for any department is to be as strong, departmentally, as possible. It is very significant that, in every case where air equipment has not had overriding departmental priority, as in the case of the Fleet Air Arm and Army Co-operation, its provision has been deficient, both in quality and in quantity, and its use has been seriously restricted by traditional prejudice. The remarkable fact about the successes that have been achieved on land and at sea in the Mediterranean in the combined use of all three arms is that they have been achieved in very many cases by the brilliant adaptation of equipment that was not at all designed for use in this way. There has been a significant lack of special purpose aircraft for use in land or sea operations. It is true that the insistence of the Royal Air Force, with its own Ministry of Aircraft Production, upon the overriding priority of its own aircraft requirements has been largely responsible for its unbalance; but it has also been due to the correspondingly departmental attitude of the Admiralty and the War Office. The overwhelming proof of the departmental system's defects, in the use of air power itself, is the grave failure so far to give Allied striking power the mobility, by air transport, that might well have been decisive in shortening the war. Concentration on independent bombardment on the one side, and in naval and military preoccupations on the other, has done much to hamstring the Allies when victory is in reach.

It is impossible at this stage of the war to revolutionise the system of planning and command for either the Service or for production. What can be done, however, is to extend and make lasting every improvisation in planning for operations which, however empirically worked out, leads in the right direction of single central control. Then, when the war is over and peacetime preparedness replaces the furious and inexorable demands of battle, the means of war and defence must be entrusted to a single organisation, embracing within it, from brains to hands, every element in the nation's power to make war. “Only when the true meaning of total war is realised and all allegiances are merged into a larger patriotism can the full strength of a nation's belligerent power be developed.”

NOTES OF THE WEEK

Mr Morrison Speaks Out

The Home Secretary's campaign for recognition as the chief spokesman of progressive thought in official politics, especially on economic and social questions, is approaching the end of its first year. No other Minister, except, perhaps, Mr Bevin, who speaks primarily as a trade unionist with an official programme, has come within sight of Mr Morrison in the expression of positive constructive and independent views. Whatever hesitations he may have shown from time to time as an administrator, Mr Morrison as a politician is above all a pugilist. Like the Irishman, he seeks out a fight, and asks if anyone can join in—or, rather, he joins in without asking. This is not to say that Mr Morrison is a quarrel-monger. Far from it; it is a tribute to his political sagacity and the perspicacity of his advisers that the fights he chooses to enter are the right ones—and he joins in on the right side. There has been some revival in the United States of the old criticisms of the British war effort, strategic intentions and Imperial rôle. (One such criticism, concerning oil supplies, is discussed in a Note

on page 493.) Mr Morrison's answers, to the American Press Association, were plain and specific. The sum of Britain's contributions to its Allies is not far short of America's contribution to Britain. The Empire's manpower in the Far Eastern fighting is comparable with America's own. The war against Japan will be Britain's to the last ounce of effort. The attacks made on colonial exploitation are a generation out of date, though the era of development and welfare is only just beginning.

At Cardiff last Sunday Mr Morrison, joining with gusto in yet another crucial fight, put his finger on one of the most dangerous threats to national prosperity after the war, namely, the indiscriminate demand backed by the unequalled skill of those who make news and views in certain national newspapers, that Government controls should be removed forthwith when the war ends. Mr Morrison's answer was twofold: first, that the conditions of scarcity which make the control and allocation of re-

sources necessary in wartime will continue after the fighting is over, during the period of relief, rehabilitation, re-equipment and restocking; and, secondly, that even when conditions of wartime scarcity have passed away, a measure of control will be essential if full employment and fair distribution, now the aim of everybody's policy, are to be achieved. Mr Morrison might have faced the second point even more boldly. If the people of this country desire, as they seem to desire, the assurance of more regular work than they ever had before the war as well as the guarantee of minimum standards of consumption for every family in every contingency, they must also recognise and accept the degree of planning and official supervision that will be required to secure these objectives. They who will the end must also will the means.

Democracy and Enterprise

It may be, of course, that, when the people are frankly told of the extent to which full employment and fair distribution, as stated by Mr Morrison at Cardiff and, in a different fashion by Mr Bevin on several occasions, involve official oversight over individual rights of choice, some may ask whether the game is worth the candle. This was the view expressed by Mr Geoffrey Lloyd at Peterborough on Tuesday, when he contrasted the "disciplined direction" and "patriotic docility" of Britain at war with the inherently independent character of Englishmen. It is upon ideas like those of Mr Lloyd that the newspapers are building their purely emotive attack against official intervention of any kind whatsoever, an attack which, as Mr Morrison pointed out, is identical with the campaign against "Dilly and Dally" which shattered orderly reconstruction after the last war. Every instance of official blundering, real or alleged, is being used as ammunition for this assault; the furore caused by an Ilford schoolgirl's shoes, almost entirely by press propaganda, is a case in point. The important point is that the issue should be put fairly before the people, who have the right to choose. It is not put fairly by people like Mr Lloyd, who contrasts wartime discipline with a vision of free and independent enterprise, which is largely mythical; the weightiest demands for the restoration of free enterprise come from industries and trade associations which in practice would be the very last bodies to permit the competitive enterprise of which they speak. Nor is it quite fair, on the other hand, for Mr Morrison to say that "the alternative to control is that the man with the richest purse will bring home the bacon"; Mr Morrison's arguments show sometimes the defects of the skilled debater and advocate that he is. Control is not an end in itself; its sole justification is the achievement of purposes, efficiency, equity, service, that could not be achieved in any other way. There is room for a vast area of individual enterprise without any direct Government interference, except by the imposition of a communal code of conduct. The real point is, first, that the community's resources cannot be employed in such a way as to give a guarantee of full employment and a national minimum of consumption without official direction; and, secondly, that the kind of enterprise for which so active a campaign of publicity is going on just now is often the very reverse of the kind of enterprise that the community requires. Enterprise is the

key. While speakers like Mr Lloyd sometimes use enterprise and independence in a misleading sense, Mr Morrison forgets that private enterprise is just as worthy and necessary as public enterprise—and that public unenterprise may be even worse for the community than private unenterprise.

New Sea Lord

Admiral of the Fleet Sir Dudley Pound, who is ill, has been replaced as First Sea Lord at the Admiralty by Admiral of the Fleet Sir Andrew Cunningham. The change was forced by Sir Dudley Pound's ill-health, and in itself indicates no change in naval policy. Nevertheless, speculation about the possible consequences of Sir Andrew Cunningham's advent is inevitable. Sir Andrew, on active service in the Mediterranean, has won a reputation very different from that attributed to the retiring Sea Lord by his critics. It is tempting to suggest the parallel of Beatty and Jellicoe, the one dashing, enterprising and in the public eye, the other cautious, precise and deeply conscious of his responsibility for the Royal Navy. It should be said at once that much of the criticism of Sir Dudley Pound has been wildly beside the mark, as the record shows. Every sea threat has been overcome in four years of war, during a large part of which this country was navally insolvent, in the sense that its resources did not match its world-wide commitments. Given the assumptions that have inspired naval strategy since 1939, Sir Dudley Pound's tenure of office has been outstandingly successful. It is, however, the assumptions that the critics have questioned. Broadly, the plan has been to hold off every threat to the nation's territory and shipping, until a sufficient force is accumulated by the Allies, on land and in the air as well as at sea, to strike an overwhelming final blow. The critics, on the other hand, have called for short-cuts and flexibility, for assaults upon the enemy which, by their precise timing, swift execution and well-chosen direction, would make up for their lack of decisive force. Best known of the spokesmen of daring, harrying and raiding has been Lord Keyes. In action, during his brilliant career in the Mediterranean, Sir Andrew Cunningham has shown something of the same temper. Faced with greatly superior enemy forces in 1940, he promptly decided that the best remedy was to attack on every possible occasion, and his methods rubbed out the Italian Fleet as an effective factor. At the Admiralty, his tasks will be different; but it is not unlikely that his offensive approach to the problems of naval warfare, coupled with the shrewd and successful experience he has gained of sea-air operations, may loosen the departmental traditions that have to some extent weighed down the painstaking labours of the Navy on its ceaseless mission.

The Italian Front

The advance in Italy continues along three routes. The left flank of the Fifth Army has moved along the coast, by-passed Vesuvius which, unlike Etna, has not been tactically exploited by the Germans, and taken Naples. In the centre, the right wing of the Americans followed the slow 15-mile advance from Salerno to Avellino by a rapid jump from Avellino to Benevento. The Eighth Army, in its march from Foggia, has been assisted by a surprise landing from the sea at Termoli. Military experts predict a prolonged German resistance on the River Volturno, 20 miles to the north of Naples, where the ground is marshy and densely cut by mountain torrents. On the other hand, the Americans are said to have crossed the River Calore, which may enable them to turn the German positions on the Volturno; and, according to the latest reports, the Volturno itself has now been crossed by the Fifth Army at one point. The important question at present is, perhaps, not the lie of the land or the barrier on which Kesselring is likely to make a stand in his retreat towards Rome. A problem of much greater consequence seems to be whether tactical co-ordination between the Fifth and Eighth Armies will still be possible during the next stages of the campaign. The farther they go north, the more formidable is the barrier of the Apennines which separates the two forces. It looks as if the tasks of General Montgomery and General Clark were to some extent tactically independent from each other. Judging by the tempo of General Montgomery's advance, one might infer that the task of the Eighth Army is to secure as quickly as possible the possession of the Adriatic coast as an independent objective, which

CENTENARY RECORD

1. We have been able to prepare a limited number of copies of **A Commemorative Pamphlet**, which will include (a) all the special centenary articles which appeared in the issue of September 4th, dealing with the history, policy and present views of *The Economist*, and (b) the speeches made at a centenary luncheon on September 2nd by Sir Walter Layton, chairman of the gathering; the late Chancellor of the Exchequer; the Governor of the Bank of England; the Home Secretary; and the Editor of *The Economist*. Copies are now available (price 2s., postage 2d.), and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Temple Bar 3316.)
2. A volume of essays entitled "*The Economist, 1843-1943*," which is mainly historical in character, has been published by the Oxford University Press, price 7s. 6d. (Orders should be placed through booksellers, and not with either the Oxford University Press or *The Economist*.)

may possibly have been singled out with an eye to operations in the Balkans. The strong German counter-attacks in the region of Termoli are intended to delay the developing threat; but the Germans there have even less chance of driving the landing parties into the sea than they had at Salerno.

Goebbels at Home and Abroad

In previous years, Hitler has used the Harvest Festival for an annual pep talk on the impregnability of a self-supporting Germany, assurance of victory, defeat of plutobolshevism and the rest. This year the Festival falls in the middle of a great silence. Save for the one hysterical outburst against Italy, the Führer has had no bouts of oratory since Stalingrad. The other master of Germany, Himmler, has never made a public speech and probably never will. The indefatigable Dr Goebbels had, therefore, at this year's Festival, to stand in for both his masters' voices, and find something telling with which to break their silence. Yet he had nothing to say. True, he could announce that the grain harvest was satisfactory for the first time during this war. He also pretended that, thanks to Speer's new methods, bombing had in no way interfered with production. But on the subject uppermost in the minds of most of his listeners—war and peace—he had nothing to tell them. There was the usual tirade against Bolshevism, the usual threat of retaliation by U-boat and bomber against the British; but on the general state of the war, the Doctor limply said he could make no forecast because so many unexpected events might happen at any time. However, one phrase had more significance. "The war would be lost," Goebbels declared, "if we were to break off without victory." This flat disclaimer of the idea of a negotiated peace suggests that, whatever the Nazi leaders may think about the war, they will not openly admit at this stage that German arms cannot achieve complete victory. This fact is open, of course, to a variety of interpretations, but it is not unreasonable to imagine that the reason why the German people are not told is because the Government dare not risk the political consequences of telling them.

This silence on the home front is all the more remarkable in that it directly contradicts the trend of German propaganda for foreign consumption. Here the talk is all of a negotiated peace. The Finnish, the Swedish, the Hungarian, the Turkish press and radio have been flooded with rumours and reports to the effect that the war between Russia and Germany has now reached a "phony" phase, that the German retreat was undertaken by joint arrangement between the Russians and the Germans, and will be followed by a separate peace, as soon as the German armies have withdrawn to the old lines of demarcation. General Tojo's recent speech, in which, besides announcing total mobilisation in Japan, he also spoke of a "great diplomatic undertaking," has been freely interpreted in the neutral press to mean the playing by Japan of the rôle of go-between and mediator between Germany and Russia. This talk of a separate peace has been coupled with strong German warnings to Britain and America that the "Bolshevisation of Europe" would follow on a German defeat and a revival of the talk of a "common Western Civilisation." The purpose of all this is fairly clear. The Germans want a negotiated peace. They hope to frighten the Western democracies into negotiations by hinting that they are already on their way to coming to terms with Russia. But Dr Goebbels, cast very inappropriately for the rôle of Fat Boy—"I wants to make yer flesh creep"—is not very convincing.

Interval in Russia

After three months of continuous fighting, the Russian advance seems to be coming to a temporary standstill. At the beginning of the week reports still recorded Russian gains in the region of Mogilev and the encirclement of Gomel; but these gains have not since been followed up by any appreciable advance. Similarly, in the south, the violent battle for the Zaporozhe-Melitopol line has brought no decisive results. The Germans still appear to hold this line in great strength, in their endeavour to frustrate the Russian threat to the Crimea. In the centre, in front of

Kiev, the position is obscure. Some time ago it was reported that the Russians had captured an island in the middle of the Dnieper which, if they consolidated their hold on it, might have served as a stepping stone for the assault on Kiev itself. Nothing more has been heard about the island. It is plausible that the Russians have not managed to hold it; and it would not be surprising if the Germans had launched a counter-attack to the east of Kiev or in the region of Chernigov. The present situation on the Russian front can hardly be described as stabilisation. Neither side can, in fact, afford stabilisation on the Dnieper. The Germans have not yet shortened their front. The Russians seek to dislodge the enemy from the western bank of the river, if only to deprive him of the excellent winter quarters which its great towns afford. Nor has the standstill been mainly caused by the rather mythical autumn rains; the rainy season has not yet come in the Ukraine. What has happened is that the offensive has for the time being spent itself in the most natural way. The pursuers need rest; their ranks need overhauling and reinforcement; their lines of communication must be restored and changed to broad gauge. How long this breathing space may last can only be a matter for speculation. This year, the interval between the winter offensive and the summer campaign was four months. The next interval, however, is likely to be shorter.

Practical Demobilisation

The Conservative Sub-Committee on Demobilisation and Resettlement has made a bold attempt to square the circle. The just and human way to release men and women from the Forces is according to length of service, with provision for age and family obligations. The correct criterion on grounds of economic policy, however, is different and twofold: whether their services and skill are needed in the schedule of reconstruction priorities, and whether there are, in fact, lasting jobs for them to go to. Military considerations, again, offer another standard; are the men still needed in the Forces, for further battles in the East or for police and occupation purposes? Large standing forces will be required after the war, falling only gradually to a million. There will be a preference for volunteers; but conscription will have to continue. The solution of the sub-committee attempts, logically and realistically, to combine these different tests in a single formula. They propose a "points" scheme which provides for the allotting of points for service on or before certain dates, service overseas, age,

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 £62,000,000
General Manager: Vernon E. Boys

marriage, number of children, employment immediately available, one-man business commitments, the demand for personnel in particular trades and professions, and interruption of education; there would be a subtraction of points for the desirability of the men's retention in the Services on military grounds. Whether this scheme would be workable is one question; whether it could be intelligibly explained to the home-sick millions is another. But it is certain that any practicable scheme must in fact be based on precisely this combination of considerations, in one way or another; and it is important that the people and the troops should be told promptly and frankly that there is no simple way out—as Mr Bevin suggested, unfortunately, the other day.

* * *

Strikes and Strikers

The engineers' strike at Barrow has ended. The implications of the pay award which they have reluctantly accepted are discussed in a Business Note on page 499; so, too, are this year's figures of industrial disputes. It is probable that the recent stoppages have got out of perspective in the public mind. In fact, production has been less affected by strikes than it was last year—vastly less than it was during the closing stages of the last war, and much less even than in many peacetime years. Nor is it correct to give recent strikes a mainly political character, as Mr Bevin seems to do. The fact is that these disputes, greater in number than they were, but briefer and more local, are almost exclusively concerned with specific grievances of conditions and remuneration; even when, as often, they are directed against wartime compulsion, the motive is personal rather than political. At Barrow, the strikers were led by their local trade union leaders to believe that the arbitration award was being wrongly interpreted and that, on appeal, they would win their case. They did not, and there was disappointment and resentment. To Mr Bevin, the strikes are political, not because the strikers have political motives in mind, but because his authority, both as Minister and as trade unionist, is threatened by the growth in the number of stoppages. Rightly, he has determined to enforce the law that makes strikes illegal in any circumstances. It would be a pity, however, if his determination to do this, which should have general support, were to be accompanied by allegations of insidious activities which, in fact, have very little to do with the strikers. A few agitators are as always, fanning the flames; but there is nothing to suggest that the politics of these fire-raisers, whatever they may be, have the sympathy of more than a minute fraction of the men concerned. Mr Bevin has no need of a Trotskyite bogey to reinforce his policy, which is quite clear. It is on the one hand, to stop strikes by the force of law and of trade union authority; and, on the other, to make quite certain that, in every specific case, the particular local and personal grievances of the strikers, if real, are put right.

* * *

Depressed Areas

Ministers and trade union leaders would do well to examine carefully the background against which industrial disputes are set. First, and most general, there is the fatigue of the fifth year of war, a restlessness and an impatience with wartime restrictions and discipline, which is expressing itself just now in all sorts of other minor ways in practically every section of the population. Secondly, and more specifically, there is the significant fact that a great deal of present labour unrest is taking place in areas that before the war were distressed and in industries that were depressed; that is to say, the strikes affect men and families for whom the organised privations of wartime have followed the unorganised privations of pre-war poverty and unemployment. The tendency to allot supplies of non-rationed goods on the basis of pre-war demand has meant that, even with the local adjustments that departmental officers have power to make, the supplies available to these people during the war have been based, to some extent, upon a depression standard of demand. Again, the assumption of wartime distribution has largely been that, when the war began, families had a sufficient stock of necessities to start with; the problem was regarded mainly as one of replacement, within the limits set by wartime curtailment of civilian manufacture. In the distressed areas and depressed industries, this assumption was, of course, quite untrue; the problem of these families has been one, not of replacement, but of actual stocking. In the event, in spite of

the efforts which have admittedly been made to meet these discrepancies, it has been far from easy for these men to translate their increased wartime earnings into the commodities which, even before the war, they and their families had to go without. They have lost on both the swings and roundabouts, in the fat years as well as the lean ones—and now, after this experience, they are very worried about the post-war future. They fear that the swings will come again as empty and as unattractive as ever. These are the points that the Government, the civil servants and the trade unionists will do well to note and deal with.

* * *

Pay-As-You-Earn

The pay-as-you-earn proposals of the late Chancellor of the Exchequer have now been given definite shape in the Wage-earners' Income Tax Bill. The text of the Bill does not dispel but strongly reinforces the first view, when the announcement was made, that the proposals should at once be extended to cover all earned incomes. The distinction between weekly wage-earners and others is arbitrary, untenable and unjust. The new proposals apply—so far as non-manual workers are concerned—to all persons whose remuneration in September, 1943, was calculated, either in whole or in the main, by reference to any period less than a month, irrespective of the actual intervals at which payment is made. The purpose of the change in method is to ensure that those whose total remuneration may fluctuate widely from year to year shall not be exposed to the necessity of paying tax on the high wages of an earlier period during a time of low receipts. It is, broadly speaking, true, of course, that, of the various classes of earned income, that of the factory worker fluctuates more widely than any other. But it is not true that in other occupations there is any close correlation between the basis on which the wage is calculated and either security of employment, stability of earnings or rate of earnings. Within any firm, of two individuals doing similar work, receiving similar pay and with equal security, one may, for historical or other reasons, be remunerated on a weekly basis and the other on a yearly one. One firm may decide that everybody shall be paid on a yearly basis, except those whose employment is purely temporary, while another firm may pay everybody from the managers downwards on a weekly basis. Unless all employers are to be allowed to change all payments on to a weekly basis retrospectively, a great deal of injustice between one individual and another will inevitably result from the proposals—in their present form. Even if length of notice to be given to the employee were made the criterion, there would be substantial inequities. The clear fact is that the border line between wages and salaries is so confused that no arbitrary dividing line between the two can be satisfactory. Theoretically, a line could perhaps be drawn by reference to the total taxable income of the employee, or of husband and wife when both were working. But, in practice, the only right way is to include all earned income within the relief and to adjust allowances and rates of tax to secure any redistribution of the burden which was considered desirable.

* * *

Finnish Tug-of-War

The Finnish people want peace and since Finland is a democracy, they are saying so very loudly and clearly. This freedom of expression cannot fail to complicate the task of the Finnish Government, which is in the position of trying to conduct delicate and private negotiations in the middle of a room full of shouting people, who are all leaning over each other's shoulders to see what are the latest moves at the conference table. The Germans are in Finland and after the defection of Italy, they will presumably fight tenaciously to prevent another. There are, moreover, a limited number of Finns—Viano Tanner, the Finance Minister, is the best known among them—who still prefer almost anything to an understanding with Russia. They argue that Germany is not by any means beaten; that the shortening of the Russian line has released more troops for the defence of Europe; that Finland would, like Italy, become a battlefield if Finland attempted to negotiate peace; that, finally, the Finns depend upon Germany for food supplies, and the Russians would not have the material, nor Britain and America the transport, to take over the provisioning. Given the complexities of the debate is

probably not the background which the Government would have chosen. But the anti-Russian group is forcing the debate into the open, and it is in any case useful for the Government to be able to get some popular reaction to the various possible peace proposals as they are brought up to the level of public discussion. The Government's strategy appears to be to seek the greatest possible amount of support from the Western democracies and to manoeuvre for position vis-à-vis Russia. No occasion is allowed to pass without some reference to the Finns' friendly feelings towards the West and their complete isolation from Germany's war on Britain and America. At the same time, a number of "peace proposals" have been allowed to appear, partly to test opinion in the West, partly no doubt to secure some reaction from Russia.

*

One such *canard* was the proposal taken by Eero Vuori, chairman of the Finnish Trades Union Council, to Stockholm, and transmitted with the full support of the Finnish Government, to Mr Arthur Deakin, of the Transport and General Workers' Union. It was here suggested that Finland would negotiate on any terms more favourable than the 1940 Treaty, that the Karelian frontier should be redrawn in Russia's favour, but Hango remain with Finland, that Britain and America should guarantee supplies and that Russia and the West should guarantee Finnish independence. The effect of these proposals was an enormous intensification of the public debate in Finland. Thirty-three leading political personalities sent a deputation demanding a separate peace. The Prime Minister, M. Lincomies, tried in a "secret" statement which became public to check the flood of discussion, but it only became greater when after a few weeks' delay, the Russian counter offer appeared in the shape of a proposal, reported "from Russian sources in London" by the London correspondent of the *Stockholms Tidningen*, demanding a military surrender, adequate strategic guarantees to Russia on the Karelian frontier, the setting up of a "democratic government," but conceding Hango to the Finns. This is the point which the manoeuvring for position has reached so far. The publication of the Russian kite gave M. Tanner the opportunity to attack the whole idea of a negotiated peace. Kuusinen replied in *War and the Working Classes* with a strong attack on Finnish capitalists and warmongers. Nevertheless it looks as though the margin of disagreement has been almost covered. Possibly the good offices of Britain and America can be brought into play at this point. The meeting in Moscow provides an admirable occasion.

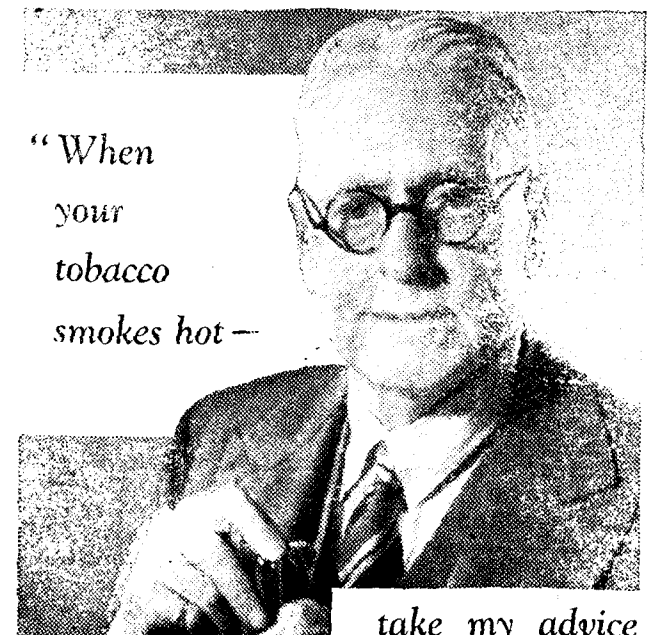
* * *

Terror in Denmark

On the night of October 1st, a thousand men of the Gestapo and of the Danish quisling organisation, the "Free Corps," started rounding up the Jews in Copenhagen. This was the start of a terror hunt to arrest the Jews of Denmark on the excuse that they had been responsible for the anti-German rising which took place some weeks before. This is not in itself an exceptional step. The Danish Jews hitherto have enjoyed the special status accorded to Denmark as a whole, but when after the summer rising the pretence of Denmark as a model protectorate was abandoned, the Jews lost their relatively favourable position, and it was only a matter of time before they shared the fate of the Jews of Norway and France and all the other Occupied Countries. Many of them had already read the signs of the times and had escaped to Sweden. More are escaping every day, but the great majority must have been arrested. The crisis is remarkable for the reactions it has aroused. The Swedish Government has protested strongly to Germany and offered a free asylum to all who can escape. Even more significant is the reaction in Finland. Hitherto the fact that one Scandinavian country under German occupation was enjoying exceptional privileges gave the Finns a sort of moral justification for their co-operation with Germany. The Danish revolt last month created a strong impression in Finland. The latest outbreak of German terrorism has shocked and alienated public opinion still further. Some newspapers are even calling for a protest, and it may well be that the timing of the German terror in Denmark will have some effect on the course of peace negotiations between Finland and the Allies.

Total Demolition?

Hitler's land forces wreak devastation in the cour of their retreats in Russia and in Italy. Total demolition has become an acknowledged and normal feature of total warfare. The Allied air forces in their continuous day and night bombardment of Germany are acting on the same principle. This week's main targets have been Bochum, Munich, Hagen, Emden, Kassel, Hanover, Frankfurt am Ludwigshafen, Bochum, Emden and Frankfurt were bombarded by day and by night. Allied aircraft started off from both British and North African bases. Blows at the "roofless fortress" are thus converging both in time and in space. Allied communiqués report the weakening of enemy defences with the intensification of the attack. The *flak* has lost some of its reputed strength; and the night fighter defence is said to have been impeded by its dispersal to meet switched attacks. The novel device of flare-paths put up along the direction of attack is said to have been frustrated by diversionary sweeps which lured the German night fighters into the wrong places. The total loss in Allied bombers and fighters for six days up to October 5th has been put at 64, which gives a daily average of only slightly more than 10 aircraft. At the same time, the number of enemy fighters destroyed in one day only, during the daylight attack on Frankfurt, was given as 75. The reports of the United States Air Force speak of the "lowest loss ratio on deep penetrations into Germany." What remains still to be seen is whether the intensity of the attack and the weakening of the defence can be maintained over a period. One communiqué has mentioned the use by the Germans of their new rocket bombs during the attack on Frankfurt; and only experience can show whether this or similar devices will allow the enemy defence to reassert itself. Moreover, the attainment of the ultimate strategic objective—total demolition—cannot yet be taken for granted. What is quite certain is that intensified air attack is forcing the enemy to divert large forces to anti-aircraft defence; and that the concentration of bombing power, coupled with flexibility, threatens to cause an important deconcentration of the enemy's defences.



"When
your
tobacco
smokes hot—

take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100th YEAR

AMERICAN SURVEY

The Great Contradiction

THERE is no doubt that, on the question of collaboration with other nations to keep the peace, American opinion is undergoing a deep-seated change of heart. Mr Swing has said that it was the "grass roots" that succeeded in moving the "elephant" at Mackinac; and if more evidence is needed, there is the passage of the Fulbright resolution by the House and the strength of the pressure on the Senate to take similar action. The outcome of the debate is not certain. The opposition is vigorous, and on the affirmative side there are so many shades of opinion that any formula for common agreement at this stage is almost unavoidably ambiguous. But the alternatives are more and more clearly understood. The speed with which Congress, after its recess, turned to working out a resolution on post-war policy is proof that the people back home are more convinced of the need of international co-operation than was apparent in Washington.

It comes as a shock, therefore, to find Admiral Vickery, on his return, declaring that he warned British shippers and officials that

we intend to become a maritime nation and stay one; I said we would do it by co-operation, but if they did not want to co-operate we would stay one anyhow.

Admiral Vickery's position is not isolated, and it is not confined to the shipping industry. In political matters the tide is flowing toward Wilson; but in those questions of economic co-operation which are the life-blood of an enduring settlement there are signs of a return to the big stick and the ideology of McKinley.

There is no lack of appreciation of the importance of economic factors in international relations. The need for skilled economic administration in foreign affairs is being met. The appointment of Mr Stettinius, as well as assuring smoother relations with Congress, promises experienced and continuous attention to the economic questions in the State Department. The bringing together of Lend-Lease, the Office of Economic Warfare and the Office of Foreign Relief and Rehabilitation provides the beginnings of an economic staff for foreign relations. What is lacking is the realisation that political co-operation and economic nationalism cannot go hand in hand.

Economic Foreign Policy

Mr Walter Lippmann recently came to the reluctant conclusion that the United States is already "getting ready once more to have no economic policy," in the sense of a policy which would accord with its preponderant place in the world economy and its status as the great creditor nation. His basic principle is that the foreign accounts of a nation should be brought into balance by ordinary economic transactions, which for the United States would imply a willingness to accept imports without pressing its exports on the world. This was catastrophically ignored after the last war, when the United States pursued a policy of maintaining and increasing its tariff walls, promoting exports and collecting debts. He points out that, over the period from 1922 to 1928, an average net payment to the United States of \$472 millions had to be made by foreign debtors, a payment which was only possible so long as the stream of foreign loans continued. The end of large-scale foreign lending by the United States and other creditor countries led by rapid steps to the cutting of imports by these countries, cut-throat competition in world markets, and the strangling of international trade. Economic collapse, revolution and eventually war, according to Mr Lippmann, were the results.

Whatever the attitude of the Government, there are almost no signs that this grim moral has been understood by those Americans who traditionally have determined economic foreign policy—the business men, the shippers, the exporters. They have created a foreign policy in the past as the consequence of individual action and the pressure of

powerful interested groups upon Congress. The influence of the Government has been limited to the very modest success of the Reciprocal Trade Treaty Act in moderating individual tariffs. Far from dissipating these pressure groups, the war has increased their number and strengthened their determination to secure for the United States the advantages to which they feel it—and they—are entitled in the foreign field. This week the Chamber of Commerce demanded that American business men should be permitted to send representatives into the Allied and liberated countries even before hostilities cease, to strengthen post-war trade connections, "in order that they may make their contribution to maintaining employment in the United States." Specific instances of this new aggressive attitude on the part of industry are legion. The vast expansion of productive capacity in shipping, in aircraft, and in synthetic rubber, the outstanding "war baby," provides an almost irresistible pressure toward heightened competition abroad and the erection of new trade barriers at home. The flood of nationalism which the war has released is being very deftly handled to support the claims of industry. It is responsible for a strong current of opinion in favour of "cashing in" on the advantageous position the war has created: using Lend-Lease to secure bases, rights and preferential trade treatment.

The Yankee horse trader is being resurrected as a national ideal; it is urged that the United States be as "realistic" about its foreign interests as other nations allegedly are. Mr Churchill's statement that he did not become the King's First Minister to preside over the liquidation of the British Empire is quoted admiringly, even enviously, as an example of the attitude the United States should adopt. The decline of the New Deal has been accompanied by a return to favour of the businessman, assiduously promoted by industry, which is using its vast publicity resources to ram home the belief that business has won the war by producing the tools, despite the ineffectual harassments of the bureaucracy. The appointments of Stettinius, Harriman, and Crowley are welcomed as heralding businesslike methods and hard-headed realism in international affairs.

The Practical Issue

This explosion of economic nationalism has been stimulated by the war, but it has deeper roots. Those who blame the United States for not cutting its trade to fit its bank balance would do well to remember with what rapidity the change from a deficit to a credit position in international affairs developed. A lag in private understanding and public policy is unavoidable. It should be realised, too, that as a continental power, capable with small exceptions of supplying all its own wants, there is not the same urgency to accept imports that once made Great Britain a stabilising influence in world economic relations. The fact that almost any import can be counted upon to injure some domestic producer has been intensified, of course, by the long history of the tariff which has built up powerful and experienced pressure groups. This economic self-sufficiency, coupled with the relative geographical isolation of the past, has stimulated a belief, which still operates, that, in both the economic and military spheres, the United States can be made invulnerable, and that concessions to the rest of the world are founded on good will, and even charity, rather than necessity.

The prospects, then, of any dramatic and immediate reversal of American economic policy are poor at the moment—poorer perhaps than they have ever been. The realistic foreign policy in economic matters which Mr Lippmann advocates with so much clarity and cogency is a matter for long-term education. But there is another approach which is more hopeful. Mr Lippmann contends that a major contribution to world economic stability is the maintenance of full employment in the United States. As he points out, this has become a political necessity and

the first call upon domestic policy. Given full employment, there will be a growing demand for imports, and, if not a slackening, at least a lack of additional urgency to secure export outlets. Without concurring, or indeed being much aware of the international implications, business is with Mr Lippmann on this point. It understands that the future of free enterprise turns almost solely upon its ability to provide jobs and a rising standard of living. The battle will come over methods, but if it can be successfully resolved without too much domestic friction the United States cannot help exerting a stabilising influence on world economic affairs. There is time, too, for someone to do for foreign economic policy a job of analysis and education comparable to that which Mr Lippmann has done so ably for the framework of political security and order.

American Notes

Re-birth of an Elephant

If the emblem of the Republican party were the Tammany tiger, one could sum up Mr Willkie's *Look* article as a demand that the tiger change its stripes. For what he demands, as the price of his loyal service, "whether as nominee or worker in the ranks" is a complete reversal of all that the Republican party has come to stand for, and a return to its "original tradition, that of the great American liberal party." Mr Willkie's liberalism, as illustrated by his platform, is indeed in some ways the liberalism of the Lincoln period. It begins with civil liberties and equal rights for minorities, which are close to Mr Willkie's heart. It includes a demand for economical administration, and insists that employment should be provided by an expanding system of enterprise with the minimum of Government interference. But it includes some forceful comments on the nature of real free enterprise, which are refreshing from a Republican and a former president of Commonwealth and Southern. He has some salty things to say about those who talk free enterprise and pursue monopoly and restriction. He also takes a firm stand for the extension and strengthening of social security measures. Surprisingly, it is the foreign policy plank that is the vaguest. His demand is that the party should lead the way in formulating a plan for American participation, based on principle and not expediency, backed up by an America strong both in economic and military terms. It should be a plan by which "free men can stand together." His attacks on the Administration's foreign policy are vigorous, but it is notable that they refer almost entirely to the pre-Pearl Harbour era. No doubt Mr Willkie realises that he is hardly the man to defeat the Administration on the grounds of its war-time diplomacy. He is on surer grounds in his attacks on the mismanagement of the home front and his fear that it may lengthen the war. This is an effective and historic document. Mr Willkie is undoubtedly right in saying that, if the Republican party is to survive to win again, it must slough off the association with vested interests which it has accumulated. It is his function to prod the elephant, and to make it perfectly clear where the blame lies if the Democrats are successful in 1944. He has begun well, but the birth of an elephant is notoriously a lengthy process.

The Senators Report

Four of the five Senators who spent the recess touring the war fronts are due to make a report to the Senate in an unusual secret session this week. They have not, however, been miserly of previews to the Press. Some of these statements have made a field day for the isolationists, though it is a fair guess that these gentry made considerably more of the sensational complaints than their authors intended. The charge that America was being stripped of its petrol reserves while British refineries in Persia were working far below capacity has already been destroyed by President Roosevelt's explanation that the determining factor was the tanker shortage. The habitual critics of Great Britain have made much of one charge—that American achievements are played down by British newspapers and radio; and the demand that America should retain foreign air bases was given another airing. Senator Lodge created a stir by urging the need of Russian bases to prosecute the war against Japan. The group appear, however, to have been impressed by the efficiency of Anglo-American military co-

operation, and others of their comments have more practical and constructive possibilities. In particular, the assertion that the failure to provide American representatives abroad with a firm picture of what American post-war policy is to be hampers their activities may well speed up the post-war policy debate. The Office of War Information's foreign branch appears to be due for another shake-up. Senator Lodge was especially bitter about the depressing effect on American troops of hearing persistently over-optimistic reports of the ease with which their battles were won. At the time of the Senators' departure there was some criticism of the waste of taxpayers' money in foreign junketings. These are no longer heard, and it seems likely that the Senate and even the House may be encouraged to repeat these direct contacts with American activities abroad.

The Tax Programme

Mr Morgenthau has laid his new tax proposals before the House Ways and Means Committee, and Mr Doughton, its Chairman, has promptly attacked them, asserting that they are more than the people can bear. The most interesting feature of Mr Morgenthau's plan is the suggestion that social security levies should be increased more than five times, from \$1,150 million to \$6,450 million. The other proposals concern more conventional increases in taxation. These, Mr Morgenthau pointed out, would be affected by the acceptance or rejection of the social security scheme, for if it is accepted his proposals for increases in the lower brackets would have to be adjusted to avoid too great burdens on small income-earners. They aim at raising \$10,560 million. Of this figure, individual income taxes would contribute \$6,530 million from an increase of surtax rates, the reduction of exemptions and dependants' allowances and the elimination of the earned income allowance. Excise taxes should, it is proposed, be increased to yield another \$2,490 million, while corporation income taxes would add \$1,140 million. According to the *Wall Street Journal*, about \$2,500 million of this would be refunded after the war, with a maximum of \$500 to any one individual, and the Victory tax is to be repealed, with the withholding tax increased as a substitute. It is fairly certain that Congress will approve nothing like these increases, and that the usual protracted haggling will cut the totals substantially. The success of the third war loan drive will be used as evidence of the efficacy of voluntary savings; and a blind eye will be turned on the current spending spree which is keeping shops all over the country busy from morning till night.

Orphan Annie

Little Orphan Annie has been getting into trouble. The famous comic strip heroine, darling of the McCormick-Patterson press, has ventured too far into politics. On a well-deserved holiday after finding and destroying a Nazi U-boat nest, Annie got entangled in a feud with a local Office of Price Administration director. This might reasonably have been expected to be a sure-fire hit, considering the unpopularity of gasoline rationing, particularly in the Middle West. But the McCormick press never does things by halves. The OPA director proved a perfect monster who maintained three cars for pleasure driving, and took a hideous delight in depriving innocent citizens of their modest ration. For once the mark was overstepped. The *Louisville Courier-Journal* headed the revolt by throwing the strip out of the paper on the ground that its sponsors

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London

CAPITAL	...	\$36,000,000
REST AND UNDIVIDED PROFITS	...	\$40,736,686
TOTAL ASSETS IN EXCESS OF	...	\$1,250,000,000

Head Office: MONTREAL
Huntly R. Drummond, Esq., Chairman of the Board
G. W. Spinney, Esq., C.M.G., President
Major-General The Hon. S. C. Mewburn, C.M.G., V. A. Bog, Esq., Vice-Presidents
B. C. Gardner, Esq., M.C., General Manager
F. R. S. Ballour, 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.

had made it a vehicle of propaganda against gasoline rationing. There were enough other kicks from Annie's potential audience of 20 million to force the publishers to destroy three weeks of Annie's adventures and set her off on more innocent trails than Colonel McCormick's vendetta against the Government. One can only hope that she will not run into any Rhodes Scholars, those pernicious enemies of America whom Colonel McCormick is determined to root out. That might be the end of Annie altogether.

The Administration's campaign to provide for further subsidy payments in legislation for the extension of the Commodity Credit Corporation may be met, according to the Wall Street Journal, by a Farm Bloc move to ban price rollback subsidy payments in the Bill. The President is preparing a message on the 1944 food programme which is expected to go to Congress this week.

Shorter Note

THE WORLD OVERSEAS

"Fascist Republic"

MUSSOLINI is in north Italy and has held his first council of Ministers. His address to this first meeting has been broadcast and was notable for its complete lack of content. He attacked the "traitors" and put retribution as the first point of the new Government's programme. Republicanism came second on his list. For the rest, he declared that this was not the time for carrying out in detail the full Fascist programme, but that the future Italy would be a "stato di lavoro"—a state based upon labour. The council of Ministers then passed five measures: the transfer of the Government from Rome to northern Italy; the subordination of the Army to the Militia; the abolition of the Senate; the extension to non-Fascists of Badoglio's legislation against the illicit acquisition of large fortunes by Fascists; and finally, the creation of a "sindacato unico." These measures have some significance, for they illustrate the deep divisions into which Occupied Italy has already fallen and give some clue to the very chaotic political situation.

Two different trends seem to have emerged already even within the body of the rump Fascist administration. In the course of the last week, one of the old Fascist figures has re-emerged—Ricci, the former chief of the Balilla, now combines this post with that of Commander-in-Chief of the restored Fascist Militia. Ricci was one of the old guard Fascists and ran a gang of his own in Carrara in the old days. At present he is competing with Graziani for a controlling position in the new administration, and it looks as though the old struggle between Mussolini and Badoglio—in other words between the Black Shirts and the Army—has already reappeared. Ricci and Graziani are putting forward two different ideas of how to reorganise Italian resistance. Ricci's idea is to build up a selected Militia, bound together by a fighting faith in Fascism; Graziani is for the reconstitution of the Army on its old basis, the return of the officers to the colours and the recruitment of the ranks by mobilisation and not by volunteering.

Neo-Fascism

This split in military policy is reflected in the social outlook of the new regime. Ricci is identified with an attempt to recover the revolutionary *élan* of early Fascism and to rally the support of the masses—and presumably get them back to work—by promising social reform, workers' control, a single trade union and so forth. On the other hand, apart from the measures passed by the council of Ministers and Mussolini's vague reference to the "labour state," nothing seems to have been done to put this revolutionary programme into practice. New heads—all of them ciphers—have been named to the old Corporations, including the most important corporation, that for Industry, and it looks as though workers and employers are still bound together in a single organisation. In any case, the extremely chaotic conditions in all the Italian towns have made the restoration of the bare essentials of civil life the first charge on the Fascists' social administration. Prefects have now been named for the northern provinces, though the appointments do not extend further south than Bologna, Florence and Pisa. But in the big cities it seems that many of the public utilities, including urban transport and the local postal services, are not yet in working order.

The appointment of the Prefects only to the northerly districts points to another deep division in Occupied Italy—the division between the areas under the direct control of the German military authorities, and those in which some semblance of a Fascist civil administration is being restored. This suggests that the Germans mean to hold a line across the waist of Italy, possibly north of Rome, but certainly well to the south of the plains of Lombardy. If some semblance of Fascism is being patched together in the north, it is only because the Nazis wish to be spared the burden of administration and still hope to get some dividends from Fascism in the shape of volunteers for the labour campaign or for the Army. It is their decision that will finally determine whether Ricci or Graziani gets control of the Italian machine, and it is impossible to say yet whether the German General Staff has decided to attempt the reconstitution of the Italian army or rely on a Fascist Militia. Graziani called an officers' meeting in Rome early in October, which was also addressed by General Stahel. It was announced at the meeting that the Government hoped to restore a fighting army on the basis of the existing Officers' Corps "within a few months"; but it does not seem that anything was done to compel re-enlistment and the lack of action suggests that the old Italian army is for the time being shattered beyond hope of reconstitution. A universal movement of spontaneous demobilisation has sent the men back to their towns and villages, and it is very improbable that an attempt now at remobilisation would have any effect at all.

This is borne out by the effect of the decree of labour mobilisation. The attempted call-up of the fifteen age groups had no success at all; the people simply did not appear. Now the authorities have abandoned threats and are attempting bribes—that the labour force will only be used in Italy, and that they will be paid in cash and not in kind. The German army has withdrawn its *Bankgutscheine*, and the Italians have been promised that they will be paid in Italian money. But in the present state of disintegration, bribes will have little more effect than threats, and the bribes themselves are worthless. As the fighting develops, the north of Italy will be cut off completely from the south and Italian workers can argue that the exile will be as complete as if they were sent to Germany.

Italian Apathy

Underneath all these divisions—between the Fascists and the military elements within the new Italian regime, between the authority of Germany in the south and the delegated authority of Mussolini in the north—lies a single factor of unity, the passive resistance of the Italian people. True, there are practically no reports of active fighting. Even Rome radio has now stopped issuing its warnings against violence. It is probable that most of the ringleaders of active resistance have already been rounded up—the one policy which the Mussolini regime can effectively pursue is that of vengeance—and the Swiss wireless bears this out. The number of Italian refugees who have fled across the frontier—it is already as high as 21,000—suggests that something like a terror is going on in northern Italy, and refugees continue to arrive even across the closed frontiers, at the rate of about three or four hundred a day. But the key to Italian resistance is not violent agitation. It is

passivity. The labour mobilisation has been a failure. The attempt to secure volunteers, either for the Army or for the Militia, has been a failure. The Italian masses will not co-operate, and the Germans will have to fight their rear-guard action against the sullen hostility of the Italian towns and countryside.

Crisis in Croatia

CROATIA has been the one new state on the Continent formed by the Nazis specifically to show that the continent dominated by Germany could function as a block of totalitarian countries. Unfortunately for the Germans, Italy made claims on the Dalmatian coastline, and shortly after the founding of "Independent Croatia," Pavelitch agreed in the Rome Protocols of May, 1941, to hand over to Italy the most important parts of the Dalmatian coast including the main port, Split. At the same time Croatia was made a kingdom. The Duke of Spoleto accepted the throne and was given the name of Tomislav. The surrender of Italy gave Pavelitch, acting without doubt on the advice of Germany, the chance to declare that the territories and towns ceded to Italy would be incorporated into Croatia. In a proclamation, Pavelitch asked for national unity and promised energetic measures to free all Croat territory. The Minister of War, Navratil, issued an order of the day at the same time in which he explained that the Croatian Army would now have to liberate the new territories.

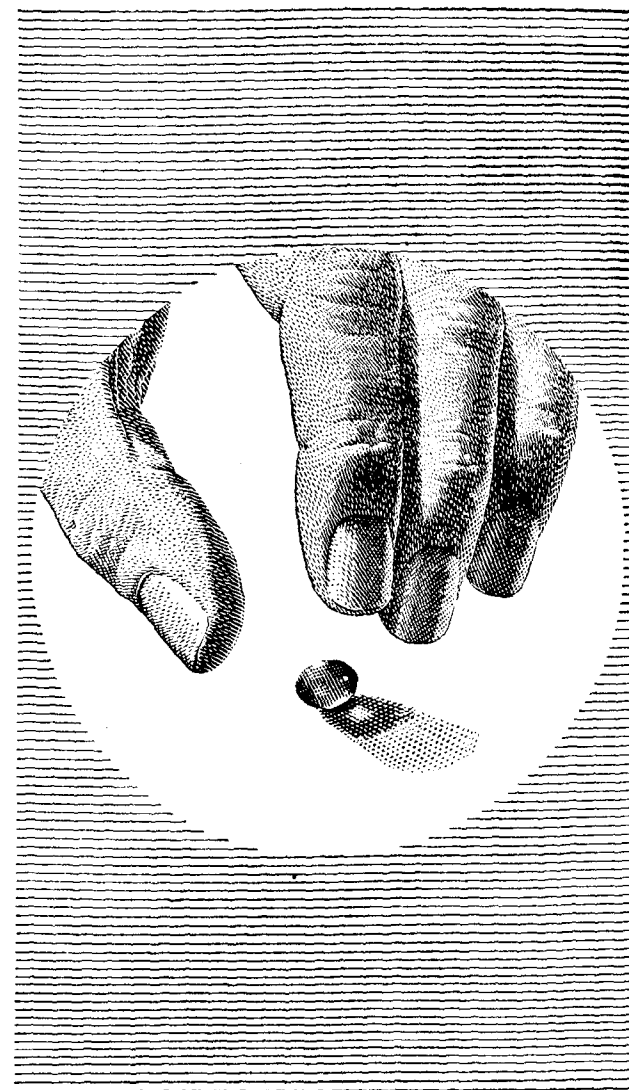
Pavelitch was obviously quick to seize the opportunity to end a smouldering political crisis. Ever since the foundation of Croatia, Pavelitch had been reproached for having ceded Croatian territory to Italy and for having given the crown to an Italian prince. The Duke of Spoleto, however, had never set foot on Croatian soil. Beside Hungary there was thus a second kingdom on the continent without a king. Pavelitch's quick action has not solved the political crisis. Actually the country has never been effectively administered under the Ustasha organisation. Guerilla activities have been sporadic; they have disorganised not only the political and economic administration, but also communications. At present, the country is virtually in a state of war. The Dalmatian coastline had to be conquered in a military campaign by combined German and Ustasha forces against guerillas and Italian troops. Although the main towns have been occupied, the country is by no means pacified. Guerilla activities are reported from all parts of the country. Even Zagreb, the capital, must be kept in a state of military preparedness against eventual attacks.

Double Crisis

As long as German and Italian interests, moving not always in unison, gave Pavelitch some semblance of political independence, the Ustahas and Pavelitch frequently seemed to oppose German domination. The Foreign Minister, Lorkovich, backed by the German Minister Kasche, recently openly attacked the Ustasha and demanded a reconstruction of the Government. German interests would have been served if Lorkovich had been made Prime Minister, and if Machek, still the undisputed leader of the Peasant Party, had entered a coalition Government. Machek declined, and Pavelitch appointed the aged Mandich. Lorkovich, who is completely subservient to German demands, resigned. Two other Ministers and three Secretaries of States resigned also, and at this point in the crisis he Italian surrender happened. Since then, German troops in Croatia have been reinforced, and the Pavelitch administration is obviously no longer free to engage in political intrigue. On paper, Germany will continue to call Croatia independent, but the country is now under the same sort of military occupation as Serbia.

War Economy

Pavelitch probably recognised his impossible position as an independent dictator, and in his own interest tried to make the country more helpful to the German war effort. Total mobilisation for military service has been declared and thousands of young men have been sent to Germany for training as future leaders. In addition, Croat Waffen-SS detachments have been formed, and it seems that for every Croat soldier or recruit being sent to Germany, German soldiers move into Croatia. At the same time, the country being prepared for bombing attacks. Air defence services are being organised, and in towns the black-out is obviously strictly enforced. All these preparations can only become effective if the civil servants co-operate with the occupying



RATIONING MAKES EXTRA VITAMIN SUPPLY ESSENTIAL

The body must have enough vitamins A and D if it is to remain healthy. Before rationing most of us got sufficient of these in our ordinary meals, but wartime diets tend to reduce the vitamin value of our food.

A daily dose of Crookes' provides sufficient 'anti-infective' vitamin A to enable you to resist colds and influenza, it provides, too, the correct amount of 'sunshine' vitamin D to keep adults healthy and to allow children to grow up with strong bones and sound teeth.

CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES—PER BOTTLE OF 100—8/6

LIQUID—PER PHIAL—ENOUGH FOR 16 DAYS 2/-

forces. Continued price increases have weighed heavily on the civil servants, and a bonus has been paid to them, as an advance on a promised increase in salaries. The Ustasha movement seems to be purged from unreliable elements and a general propaganda campaign has been started with the aim of strengthening the so-called home front.

As in other continental countries, favourable weather produced a better wheat harvest, which is reported to be half as big again as the 1942 harvest. Although an elaborate system of agricultural control and requisitioning has been worked out on paper, the peasants have continually obstructed this system. At times, the supply of foodstuffs to larger towns was utterly inadequate, and last year small quantities of grain seem to have been imported from Germany. After the spring cultivation had been completed this year, the official prices for important agricultural products were generally increased. A system of premiums was introduced at the same time to induce peasants to grow more oil-seeds and sugar-beet. It is doubtful whether these measures will have had any appreciable result. The harvest period was marked by increased guerilla activity, and it can be assumed that peasant villages and small towns are thrown back on an even more precarious system of self-sufficiency than before the war. Unsettled political conditions have so far prevented the recovery of Croatia's small industry. Resources vital for Germany's war industry, such as bauxite, cannot be fully exploited because of the lack of labour and material. All efforts to stem the rapid increase in prices have failed. Financial control is ineffective and the notes in circulation are rapidly increasing. Special safeguards had to be introduced to secure the liquidity of savings deposits in banks. The financial situation is characterised by the fact that the issue of state debentures needed for covering the budget deficit is completely subscribed by banks.

Books Received

- Looking Ahead.* By Herbert Morrison. (London) Hodder and Stoughton. 247 pages. 5s. net.
- Unless We Plan Now Series.* No. 9. *Problems of Population.* By R. M. Timmuss. No. 12. *Democracy and Local Government.* By D. M. Goodfellow. No. 13. *Women in the Post-War World.* By B. Drake. (Bickley, Kent) English Universities Press, Ltd., St. Hugh's School. 23 pages and 4d. each net.
- Soviet Asia.* By R. A. Davies and A. J. Steiger. (London) Gollancz. 205 pages. 7s. 6d. net.
- Freedom in Education.* By E. H. Partridge. (London) Faber and Faber. 106 pages. 5s. net.
- The Unity of Europe.* By H. Monte. (London) Gollancz. 196 pages. 6s. net.
- The Blockade of Germany After the Armistice, 1918-1919.* By S. L. Bane and R. H. Lutz. (London) H. Milford. 874 pages. 36s. net.
- Constructive Democracy.* By J. MacMurray. (London) Faber and Faber. 41 pages. 2s. 6d. net.
- Behind the Battle of France.* By J. Lorraine. (London) H. Milford. 136 pages. 3s. 6d. net.
- British Economic Interests in the Far East.* By E. M. Gull. (London) H. Milford. 272 pages. 16s. net.
- Appeasement's Child: The Franco Régime in Spain.* By T. J. Hamilton. (London) Gollancz. 239 pages. 7s. 6d. net.
- Smuts and Swastika.* By A. Campbell. (London) Gollancz. 167 pages. 6s. net.
- The German War Economy.* By H. W. Singer. (Manchester) Manchester Statistical Society. No price stated.
- Gold, Silver and Paper Money.* By F. W. Hirst. (Midhurst, Sussex) The Cobden Club. 24 pages. 6d. net.
- Postwar Planning in the United States. An Organization Directory, 2.* (New York) Twentieth Century Fund. 101 pages. \$1.00.
- Jewish Labour Economy in Palestine.* By A. Muenzner. (Jerusalem) Economic Research Institute of the Jewish Agency for Palestine. 191 pages. No price stated.
- Economics in Uniform. Military Economy and Social Structure.* By A. T. Lauterbach. (London) H. Milford. 282 pages. 20s. net.
- Studies in Federal Taxation. Third Series.* By R. E. Paul. (London) H. Milford. 538 pages. 33s. 6d. net.
- The New Authoritarianism in Education.* By L. P. Jacks, S. Maxwell and J. Murray. (London) The Individualist Bookshop. 34 pages. 6d. net.
- Towards Social Security.* By E. Batson. (Cape Town) Paul Koston. 96 pages. 7s. 6d. net.
- The American-Born in Canada. A Statistical Study.* By R. H. Coats and M. C. Maclean. (London) H. Milford. 176 pages. No price stated.
- East Prussia, Menace to Poland and Peace.* By R. Mackray. (London) Allen and Unwin. 111 pages. 6s. net.
- Reflections on the Revolution of Our Time.* By H. J. Laski. (London) Allen and Unwin. 367 pages. 15s. net.
- Our Soviet Ally. Essays by M. Cole and Others.* (London) Routledge. 194 pages. 7s. 6d. net.
- The Oxford Book of German Prose. From Luther to Rilke.* Edited by H. G. Fiedler. (Oxford) Clarendon Press. 684 pages. 10s. net.
- International Telecommunications.* By Brig.-Gen. Sir O. Mance. (London) H. Milford. 90 pages. 7s. 6d. net.
- Building Societies Year Book, 1943.* Compiled and edited by G. E. Franey. (London) Franey and Co., Graham House, Tudor Street, E.C. 4. 401 pages. 10s. 6d. net.
- Hours of Work and Their Influence on Health and Efficiency.* By H. M. Vernon. (London) British Association for Labour Legislation. 38 pages. 9d. net.
- Commercial Policy in the Interwar Period: International Proposals and National Policies.* League of Nations. (London) Allen and Unwin. 164 pages. 7s. 6d. net.
- How War Came to America.* By F. Davis and E. K. Lindley. (London) Allen and Unwin. 283 pages. 12s. 6d. net.
- Ireland's New Foundations.* By A. Marsh. (Dundalk) Dundalgan Press. 106 pages. 2s. net.
- The Newsprint Paper Industry.* By J. A. Guthrie. (London) H. Milford. 274 pages. 20s. net.
- Land and Labour. A Social Survey of Agriculture and the Farm Labour Market in Central Canada.* By G. V. Haythorne and L. C. Marsh. (London) H. Milford. 568 pages. 17s. net.
- Jewish Migrations. Past Experiences and Post-War Prospects.* By E. M. Kulischer. (New York) The American Jewish Committee. 51 pages. 20 cents.
- Labour Problems in Bolivia. Report of the Joint Bolivian-United States Labour Commission.* (Montreal) International Labour Office. 45 pages. 50 cents or 2s. net.
- Savory's Insurance Share Annual, June, 1943.* (London) Thomas Skinner and Company (Publishers), Ltd., 330 Gresham House, E.C. 2. 110 pages. 6s. net.

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. 1
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

Russia at War

Arctic Fuel

ON September 17th the Soviet Telegraph Agency announced the completion of work on the North Pechora Railway; 714 persons were awarded orders and medals. The news did not arouse any particular interest abroad. Yet the construction of the North Pechora railway marks an important date in the economic development of the Arctic and Subarctic regions of European Russia. Though the importance of those northernmost areas in Russia's economic life is incomparably smaller than the importance of the new industrial centres of the Urals and Siberia, their development is perhaps even more remarkable.

The new railway starts from the northern tundra of Vorkuta, almost on the border between Arctic Europe and Arctic Asia, about 700 miles to the north-east of Archangel. It runs south-west through the land of the Samoyeds, over the territory of the autonomous Komi Zirian area, which it connects with the provinces of North Dvina and Vologda. In Komi itself, the railway links two new mining basins, one on the river Pechora and the other one on the river Ukhta. It further connects the two rivers with the upper reaches of the Dvina (at Kotlas); from there it runs westwards and links up at Konosha with the Archangel-Vologda-Moscow and Vologda-Leningrad railways. With the completion of the new line, the length of which is 1,847 kilometres, regular rail communication has been established between the still largely unexplored and vast expanses of the Arctic land and central Russia.

Dreams about economic exploitation of the far North fired the imagination of Russian explorers a long time ago. But the vision of a civilised Arctic looked too fantastic to be taken seriously. It was not until 1939 that the first hint of a practical approach to the problem was given. In his speech to the XVIIIth Conference of the Party, Commissar Kaganovich stated:

Comrade Stalin is particularly anxious to start the exploitation of coal on the Pechora. We need the Pechora coal for our northern provinces and for Leningrad. We have to build an Ukhta-Pechora railway to carry the coal and the petrol (there is no lack of petrol in the north) to central Russia. At present, we carry coal from the Donetz basin to the far North and to Archangel.

New Coal Reserve

In the course of that year the first coal shaft was sunk in the Vorkuta region. The work proceeded slowly at first. The main difficulty was, of course, labour. The job was taken over by the so-called building organisation of the Commissariat of Internal Affairs, which transferred masses of convicts to the northern part of Komi. In 1941, the output of the Vorkuta coal mines was about 1,000,000 tons. The plan for 1942 provided for an output of 3,000,000 tons. No figures for 1943 have been given, but it is pretty certain that the plan for 1942 has been fulfilled, and that the expansion has since been rapid. The coal, however, could not be carried away before the railway was finished. It was stored on the spot; and the recent completion of the railway will make it possible to take several million tons southwards.

Measured by the normal requirements of consumption the output of the Vorkuta basin is not yet impressive. But a reserve of several million tons of coal means a lot against the background of the acute fuel shortage that prevails in Russia. More important still, the new railway will undoubtedly help to speed the development of the new coal basin. Labour and mining equipment, until recently transported by the most primitive means of communication, will now be moved more quickly and in greater numbers. It will also be possible to improve the living conditions in the labour camps, which until recently were appalling and caused a very high rate of mortality among the workers. Apart from the Pechora basin, coal mining was begun in 1941, two years later than on the Pechora; and no reports about the results have so far been available. The Ukhta region is, however, more important for its oil than for its coal. Some oil prospecting was done there even before 1914, but soon it was given up because of the extremely high cost. New prospecting was started in 1938;

and since then the oil industry has developed on a considerable scale. In Ukhta itself, a big modern refinery with an annual refining capacity of about five million tons was completed more than a year ago.

The Kola Peninsula

Another important industrial region in the north has been the Kola peninsula. But the climate of the Kola peninsula is milder than that of the Komi region. The Kola peninsula also benefited by the proximity of such great communication centres as Murmansk and Kandalaksha. Industrial development was much easier here and started somewhat earlier. The main mineral wealth of the Kola peninsula consists of non-ferrous metals. The region of Montchagorsk, situated conveniently on the Murmansk-Kandalaksha railway, abounds in enormously rich deposits of nickel, bauxite, copper and lead. Large scale mining was started here in 1938-1941. Grandiose schemes were being carried out when the war broke out. (Preparations were well advanced for the drying out of the Montchagorsk lake, the bottom of which conceals excellent nickel ores.) The output of nickel there amounted to 7,000-9,000 tons in 1941. Copper mining was also expanding very rapidly; and the construction of big, modern bauxite mines and aluminium plants was—with the help of German technicians—completed by the summer of 1941.

The war, however, interrupted for a time the development of the Kola peninsula. Because of their proximity to the Finnish frontiers, some works suffered heavily from enemy action; and others (for instance, the aluminium plants) were evacuated to the Urals. The development of the Kola peninsula will in all probability be resumed with great vigour after the war. The non-ferrous metallurgy of that region will greatly benefit from the development of the Pechora-Ukhta fuel bases. The regions which nature itself has cursed with frost and ice will now provide heat and light for new centres of Russian life.

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

THE BUSINESS WORLD

Business Notes

White Plan No. 3

Details have become available of a third revised draft of the United States Treasury's Stabilisation Fund plan, which in some respects mitigates the backward-looking changes of draft number 2. The latest revision softens the blow of the previous provision that 50 per cent of a member's quota should be paid in gold, and makes allowances for the size of the gold reserve of the member countries. The actual gold payments are to be arranged on a sliding scale, depending on the ratio between each member country's quota and its gold and free exchange reserves. For example, countries whose gold and free exchange

Country	Quotas (million \$)	Votes
Australia	149	249
Canada	278	378
India and Burma	367	467
New Zealand	54	154
South Africa	175	275
United Kingdom and Colonies	1,275	1,375
Total British Empire	2,298	2,898
Brazil	107	207
China	350	450
Mexico	63	163
USSR	763	863
United States	2,929	3,029
Rest	3,554	6,454
Total	10,064	14,064

reserves are between twice and three times their quota will pay in gold 40 per cent of their quota, plus 10 per cent of their holdings in excess of their quotas. Special terms are to be offered to countries which have suffered enemy occupation. Their gold payments will be scaled down by a uniform 25 per cent. The most interesting feature of the latest revision of the plan is its tabulation of the quotas and votes to be allocated to the principal member countries. Each country is to have a minimum of 100 votes, plus one vote for each \$1,000,000 invested in the Fund. The results of these calculations are given in the table above.

Secular Movements

There have been few developments in the stock market position in the past few days that call for comment. Occasionally, interest has turned to industrial equities, which touched a new high of 106.1 on October 1st, according to the index of *The Financial News*; but for the most part it has centred on mining shares and South American railway stocks, particularly the prior charges, which are expected to benefit from the continuance of the higher freights. What is more interesting is that, judged by the best indication available, *The Actuaries' Investment Index*, there has been a further rise in industrial equities during September and a very minor decline in almost every category of fixed interest securities. In the latter *The Financial News* shows a modest recovery. It is now necessary to go back six years to get as high a figure for the general equity index. Over that period there have been important changes in the composition of the index and of some of the groups. In particular, aircraft has been brought in and electrical manufacturing has been shifted from the distributive to the productive group. None the less, the broad outline stands, and within it there are five major changes. Building material and electrical manufacturing shares have risen by 12½ and 13 per cent in value, while the yields have fallen from 6.33 to 3.07 per cent and from 4.49 to 3.98 per cent, respectively. Meanwhile coal and

gas shares have fallen by some 15 per cent and iron and steel by 12 per cent. The yield changes for these groups are from 4.06 to 5.63 per cent; from 4.93 to 3.15 per cent; and from 5.11 to 5.82 per cent. The fall in gas stock yields is due to special war conditions from which, it is expected, the companies will in large measure recover. The fall in the average yield for the whole list is surprisingly small at

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	Sept. 28, 1937†	Sept. 29, 1942	Aug. 31, 1943	Sept. 28, 1943	Sept. 28, 1937	Aug. 31, 1943	Sept. 28, 1943
2½% Consols	131.8	146.6	141.8	140.4	3.38	3.14	3.18
Home Corps. (4)	129.8	141.9	142.1	141.9	3.59	3.28	3.28
Ind. Debs. All classes	117.6	117.8	121.3	121.1	4.06	3.91	3.99
Ind. Pref. All classes	108.4	105.1	110.8	110.7	4.29	4.38	4.38
Investment Trusts (9)	57.1	36.6	47.5	48.3	4.68	4.82	4.74
Coal (8)	123.3	84.5	102.9	104.8	4.06	5.68	5.63
Electrical Mfg. (13)	140.7	135.2	156.5	159.0	4.49	4.04	3.98
Motors (7)	48.3	39.0	48.4	49.9	5.06	3.97	3.85
Total Production (90)	55.8	66.9	80.0	80.4	4.80	4.61	4.61
Shipping (7)	25.0	24.1	24.8	25.3	1.72	4.49	3.23
Stores and Catering (17)	73.2	53.5	73.7	74.8	3.98	3.27	3.87
Total Distributive (20)	69.0	55.8	71.5	72.4	3.73	3.90	3.87
Total Miscellaneous (40)	84.0	73.9	85.1	85.7	4.66	4.12	4.09
Industrials (All Classes) (158)	80.6	65.8	78.9	79.4	4.52	4.30	4.30

† Figures not strictly comparable.

0.22 points. It is interesting to compare this change with those in the fixed interest list, but it is necessary to issue a caveat, since the composition of the preference share index appears to have altered greatly over the period.

More Fiduciary Notes

The fiduciary issue of the Bank of England has been raised by a further £50 million to £1,050 million. The movement was clearly foreshadowed by last week's Bank return, which showed the reserve of unissued notes to have fallen to about £13 million. According to the return published this week, this reserve, fortified by the increase in the fiduciary issue, stands at £58,981,000. Whether this will suffice to cover the expansion in the circulation between now and the Christmas peak is a moot point. Last year the circulation expanded by £80,188,000 over the comparable period, so that a considerable slackening in the currency expansion as compared with 1942 will have to take place if the latest increase in the fiduciary issue is not to be followed by yet another instalment before the end of the year. The monotony of these almost routine adjustments in the fiduciary issue has been broken on this occasion by the publication of an official commentary explaining in simple language what is meant by the fiduciary issue and why it should have had to be raised. One may query the "financial authority's" statement that "in any currency which is to command confidence, notes must have a backing of value behind them," a contention whose validity would be severely tested if the note issue in this country were multiplied many times against the backing of "valuable securities" such as those which provide the counterpart of the present fiduciary issue. Limitation of issue of notes, together with the grant of legal tender attributes, provides most of the explanation of the acceptability of a note issue. The great British public know little and care less about the exact form taken by the backing of their currency; otherwise the break with the gold standard in 1931 and the 1939 transfer of all the gold in the Bank

of England to the Exchange Equalisation Account might have caused at least a ripple of concern. For the rest, the "financial authority" treads safe and well-worn paths, explaining how the growth of industrial activity has increased the demand for currency; how unnecessary hoarding has accelerated the expansion in the note issue; and how desirable it is that these hoarded notes should be paid into a bank.

Non-Residents' Investments

In view of the difficulties in which this country was placed, especially after the German drive to the west in the spring of 1940, the non-resident holder of British securities cannot complain greatly of the treatment he has received. There has, however, been an allegation lately that non-residents have been unnecessarily restricted in their choice of the securities in which they may re-invest the proceeds of sales of stock or shares held here. This matter is solely at the discretion of the Bank of England. The holder of an "L" licence to sell may re-invest subject to official scrutiny, which is exercised in order to ensure that the needs of the exchange control are met. The Bank of England, naturally, will not permit conversion from a long dated stock into a short and, broadly speaking, it appears that they regard a desire to switch from one class of security to something entirely different with some disfavour. It is possible to imagine cases in which, from the standpoint of exchange control, this attitude is justified. It is certainly the case that there is no item in the Bank's policy which would indicate that its officers should object to an investment on any other grounds. But the report has got round that, in certain cases, there has been interference, without due cause, in the freedom of non-residents to re-invest. It is extremely difficult to run such cases to earth, although almost everybody has heard reports of them, which are doing no good. It seems that, either through lack of proper explanation of its reasons, or through errors of interpretation on the part of those who carry out its policy, the Bank is achieving a reputation for proceeding in an arbitrary manner with regard to certain individuals who have no means of redress. If, as seems probable, this is being built up on very small foundations, an explanation of the reasons for the restrictions on the transfer would almost certainly make the whole matter plain, with beneficial results.

Engineering Wages Interpretation

In order to clear up a certain amount of confusion that had arisen over the payment of pieceworkers' premiums, and had given rise to the Barrow strike, the National Arbitration Tribunal was invited jointly by the Engineering Employers' Federation and the Amalgamated Engineering Union to interpret certain points in their award of last March. The Barrow contention was that all bonuses should be paid on the consolidated rate of 66s.; the Tribunal's answer has shown that this was not the intention of the award, which was mainly designed to benefit the lower-paid workers. It reaffirmed that piecework prices should be such as to enable the worker of average ability to earn at least 27½ per cent more than the new district base time rates, and workers on time allowances or premium bonuses such bonus or basis times as would enable them to earn 27½ per cent more than the new basic rates. In addition to this payment, the worker would receive the non-consolidated part of the national bonus at the rate of 13s. 6d. for a 47-hour week. Where the inclusive rate worked out at less than that which the worker had received before the award, the necessary adjustment in the percentage would be made to the new basis rates or the bonus or basis times so as to make up the deficiency. The position can be illustrated by the following example. A worker paid before the award on a district base rate of 46s., who was earning a piece rate premium of 60 per cent above the basic rate, i.e., he was receiving a total remuneration of 107s. 1d. (made up of 46s. basic rate, 73s. 7d. basic rate + 60 per cent, and 33s. 6d. national bonus), would after the award receive 97s. 8d. (66s. + 27½ per cent and the new national bonus of 13s. 6d.). But this would not satisfy the clause of the award that he should not get less than his pre-award rate. The maintenance of the former 60 per cent applied to the new basic rate and national bonus would result in 119s. 1d.; the smallest percentage required to yield the same as the pre-award would be 41.8 per cent (66s. + 41.8 per cent + 13s. 6d. national bonus = 107s. 1d.).

Strike Statistics

The *Ministry of Labour Gazette* for September contains statistics of trade disputes in August. They show that the number of days lost through disputes, at 139,000, was not outstandingly high for the year—the record was 178,000 in May—but the figure is large compared with the 38,000 of August, 1942. In the aggregate, since the beginning of the year, fewer days have been lost than last year, 820,000 against 951,000. The number of people involved is almost exactly the same, 306,600 compared with 306,100. It is the rise in the number of disputes, from 810 in January to August, 1942, to 1,081 in the corresponding period of this year, which is most significant. In the corresponding periods of 1938, 1939, 1940 and 1941 the number of disputes involving stoppages were 89, 50, 94 and 118, respectively. The duration of this year's August strikes was short. Of the 139 stoppages ended in that month, 60 lasted one day, and only five more than a week—though even a short strike may have an unsettling effect on production out of proportion to the calculable working days lost. Apart from spectacular strikes, like the Barrow strike, it is the number of strikes rather than the total loss of working days that is indicative of the present widening unrest. The September figures (which will be published early next month) will include three considerable strikes at Barrow, in Nottinghamshire and in Lanarkshire, and the figures of days lost and numbers involved may be much higher than hitherto.

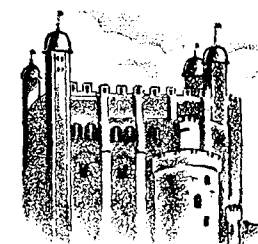
Women Trade Unionists

The Transport and General Workers' Union held their first women's national conference this week. The union now has 300,000 women members—seven times as many as before the war—and organises women in engineering and shell-filling factories, road passenger transport, textiles and general industry. It was feared, when the Amalgamated Engineering Union first opened its ranks to women, that inter-union competition to organise women in the munitions trades might develop. This danger has been averted by an agreement reached between the unions concerned in the engineering and metal industries (Transport Workers, General and Municipal Workers, AEU and Iron and Steel Trades confederation) not to "poach" on one another's memberships, but, aiming at 100 per cent organisation in every establishment, to recruit in fresh fields. A joint committee of the four unions has been set up to deal with demarcation questions. A question which transcends all organisational difficulties is that of women's wages in engineering. This week's conference has discussed both how to raise the low level of wages paid to women employed on work "commonly performed by women" and how to enforce the agreements establishing the "rate for the job." There have been many criticisms that these agreements are, in practice, often evaded by the employers, and the result of the Wark Court of Enquiry, now investigating an alleged breach of the AEU Relaxation agreement in a West of Scotland firm, is awaited with interest. The issue concerns not only women who are employed as "men," but also the men whom they have replaced, and may affect the future structure of engineering wages. The other matters discussed at the women's conference are very practical in character; they include

A TOWER of STRENGTH SOLID · SAFE · SECURE

All classes of
Fire & Accident
Insurance

also
ADMINISTRATION AND
FIDELITY BONDS,
TRUSTEESHIPS,
RECEIVERSHIPS, ETC.



THE BRITISH LAW
INSURANCE COMPANY LIMITED

Head Office: 31 & 32 King St., Cheapside, London, E.C.2

such day-to-day issues as the effect of long hours on health and production, shopping facilities, nursery schools, canteens, works medical services, ventilation, the employment of pregnant women on light work, transfers and the billeting of transferred workers. The effect of such factors on the rate of absenteeism, especially of married women with domestic responsibilities, is recognised. There is a danger that industrial fatigue and confidence in the outcome of the war may lead to relaxation of effort and increased absenteeism on the part of the workers, while it might tend to make firms less keen to introduce special welfare arrangements for their women employees, whose services they are likely to lose after the war.

Larger Treasury Bill Tender

The Treasury bills offered for tender this week have been increased to £100 million—the first time that round figure appears in Treasury bill history. The weekly issues of bills have been held at £90 million since April 23rd last, after a previous norm of £75 million which, apart from slight deviations, had been maintained since February, 1942. The latest increase in the tender issue of Treasury bills must be regarded as a response to the seasonal factors that still affect this part of the floating debt and not as a step in the secular trend of this issue. The immediate objective of the jump to £100 million is the provision of additional Treasury bill maturities for the benefit of the banks in the early days of 1944. The bills now being placed will mature in the final quarter of the financial year when tax payments are heavy and when the banks look in part to the bill maturities to offset the drain of tax transfers on their cash position. Despite the increase in the issue of tender bills over the past year (they are now outstanding to the amount of £1,170 million as against £975 million a year ago), the banks' holding of bills has declined, the August, 1943, holding of the clearing banks being some £52 million below that for August, 1942. The reason must be found in the greater official demand for Treasury bills now being satisfied through the weekly tender. This demand has been evident in recent tenders when the discount market has had to be content with comparatively small allotments, the figure exceeding 40 per cent on only one occasion since the turn of June. If the task of building up the banks' bill portfolios is to be successfully accomplished, there will have to be a slight reduction in the official competition for bills at the weekly tenders and a certain letting up in the TDR payments required of the banks. Judging by last year's precedent, the latest increase in the offer of Treasury bills should not last for more than 8 weeks and thereafter the figure may come back to £90 million. If, however, the earlier precedent is to be followed beyond that stage, the return to £90 million towards the end of this year should lead to an increase beyond the £100 million mark early next April, that is at the beginning of the financial year, when the floating debt normally expands at its fastest.

Limerick Borrows Short

The City of Limerick, which had outstanding some £900,000 of loan debt at the end of March last, is proposing to issue at 99 £755,000 of 3½ per cent stock redeemable 1956-72 at par. The proceeds are to be used to pay off loans held from the Commissioners of Public Works. Of the issue price 10 per cent is payable on application and the remainder on October 25th. Interest is payable first June and December and the loan is redeemable at par, in whole or in part, between the dates named. The issue takes place in Dublin and the loan will be quoted there. Apart from the fact that the amount seems rather large and that the redemption option is long, there is, so far, little to excite comment. It is, however, a curious feature of the loan that 27 per cent of the total is to be paid off in equal half-yearly instalments over the twelve years commencing December 1st next. Repayment is to be made at 99 and applicants are invited to sign a cancellation agreement that they will consent to surrender of an appropriate fraction every six months. The Corporation is to have the option to accept this agreement or to regard the application as one for the stock without this interesting variant. The Munster and Leinster Bank has agreed to take up to the necessary amount of stock, £203,850, subject to the cancellation clause. Even ignoring the 5s. per cent commission which the bank will receive on its application, it seems to be obtaining a virtual "short" with an average life of some six years, giving yield

of almost £3 10s. 8d. per cent, that is the same rate as is being offered to other investors for a security which has a probable life of 30 years. Although there is a capital profit in this case of rather over 1 per cent, this only raises the return to £3 11s. 1d. per cent. Presumably the Corporation is in the debt of the bank.

Banks and TDR Payments

In the discussion of the relative merits of Treasury deposit receipts and Treasury bills as a liquid asset for the banks, points are sometimes accorded to the former on the ground of the latitude which is given to the banks in choosing the days on which the total amount required of each of them in any particular week is paid. The quarterly debt returns provide an opportunity of measuring the extent to which banks in fact avail themselves of the possibility of helping their cash position by postponing their TDR payments to the latter part of the week. This opportunity arises from two facts: the first is that the quarterly debt returns are dated on the last day of the quarter, which need not synchronise with the end of a working week; and the second, that comparison is always with a previous monthly return which showed the position at the close of a working week. The latest debt return, for example, is dated September 30th, which fell on a Wednesday, and is comparable with the return for August 28th, which fell on a Saturday. The published information about TDR issues shows that in the four weeks from August 30th (inclusive) to September 25th a total of £250 million was paid over in the form of TDRs. The last debt return reveals that, from August 30th to September 30th, TDR payments amounted to £256 million. In other words, the banks paid over £6,000,000 of TDRs in the last four days of September, that is, Monday, 27th, to Wednesday, 30th. Since in the whole of that week the banks were asked to provide £60 million in TDRs, this means that no less than £54 million of the payments were postponed until they could be made in the month of October. In this case, therefore, the banks made considerable use of the latitude allowed them in timing their TDR payments to cushion the credit pressure of the closing days of September and to transfer the major burden of these payments to the early days of October, when the credit position had become appreciably easier. The extent to which this facility has been used over the turn of each half-year since TDRs were first issued is shown by the following table:

Date of Allotment	Amount to be taken up in following week	Amount taken up before end of half year
27 Dec., 1940..	35,000,000	6,500,000 (Dec. 30 and 31)
27 June, 1941..	20,000,000	4,500,000 (June 30)
26 Dec., 1941..	40,000,000	5,000,000 (Dec. 29, 30 and 31)
26 June, 1942..	40,000,000	13,500,000 (June 29 and 30)
24 Dec., 1942..	65,000,000	17,000,000 (Dec. 28, 29, 30 and 31)
26 June, 1943..	40,000,000	16,500,000 (June 28, 29 and 30)

In framing their decision on this matter the banks are torn between two conflicting objectives: the desire to avoid heavy TDR payments in the final days of the half-year, and the desire to have heavy TDR maturities in the final days of the next half-year. This no doubt explains why any payments at all are made in the usually difficult closing days of the half-year. It also explains why those payments are proportionately greater in the last days of June, since these are aimed at getting TDR maturities in the all-important days which precede the end-of-the-year balance-sheet.

Railway Fuel Economy

Fuel is the biggest single item purchased by the railways, and they have, therefore, always paid great attention to the reduction of fuel costs. Their normal consumption of coal before the war amounted to 16,000,000 tons a year. Despite the fact that measures to save fuel were already their constant policy, the railways have made special efforts during the war to reduce consumption. Their contribution to fuel economy is substantial. It is made by economies in operating; for example, the proportion of loaded to total wagon miles has been increased from 67.5 per cent before the war to 73.6 per cent. Firemen and drivers receive special instruction in the economy of fuel. Savings have been made

by the reduction of services. Fewer electric train services save more than 50,000 tons of coal a year. The curtailment of lighting and heating in trains and waiting-rooms, buses, works, offices, huts and hotels has saved large quantities. From less heating of trains a saving of 30,000 tons is being achieved, while hotels contribute 5,000 tons, and supplies to stations and offices have been cut by 13,000 tons. Particular attention is being paid to savings in works, and some remarkable results have been achieved in individual cases. The railways are prepared to take new fuels, particularly open cast coal, which is being mined in increasing quantities. These facts were given at the end of last month by Mr M. G. Bennett, chairman of the Railway Fuel Economy Committee, at the first of a series of railway fuel economy conferences. He declared that the railways hoped to do still more to meet the shortage of fuel.

Odeon Theatre Accounts

Another company of the group of cinema properties under the chairmanship of Mr Arthur Rank, Odeon Theatres, has presented accounts, covering the 52 weeks to June 26th last. Compared with the preceding period, which was a week longer, they show a rise in profit after all tax from £435,000 to £487,000. A feature of the accounts is the inclusion, for the first time, of consolidated statements of profit and loss and of assets and liabilities. Unfortunately, there are no comparative figures for earlier years. It is also to be regretted that the accounts of the parent no longer separate the amount of profit derived from theatre management and that secured from investments. Holdings are almost entirely in cinema concerns, but even so the distinction had some value. There is still no statement of costs of administration, repairs, depreciation or amortisation of leaseholds, but it is now disclosed that a substantial part of the published profits of previous years arose from the fact that they took credit for EPT charged to subsidiaries. This, of course, showed as part of the tax provision of the parent, but the new method of showing the profit net of this figure and deducting the company's own tax provision is better. Unfortunately, there is again no comparison with earlier years. It is also the case that no separation is made between tax provided to cover the legal liability and that which constitutes a reserve against liabilities still to accrue. The explanation that the exact tax liability is not determined is not convincing. It is seldom possible to give an exact value to any rubric in accounts. All that is sought is the best estimate that an adequately qualified accountant can reach. The total profit of the parent of £1,261,535, after the adjustment mentioned, compares with one of £2,163,687 for the group. The total interest charge of the latter is £353,408 and total tax £1,448,993. Other items are little different from those of the parent. The consolidated balance-sheet shows a total of rather over £15 millions, of which £12 millions odd is in fixed assets and a relatively small sum in holdings in other companies. Total reserves of the group stand at only £333,159, against £293,873 for the parent. In his statement, Mr Rank expresses the hope that a scheme, at present in preparation, for the simplification of the General Investment Corporation group will make possible the elimination of a substantial amount of investment holdings and the fusion of the assets of the companies concerned with those of the parent.

Industrial Health and Safety

Although the total number of reportable accidents in industry has increased by 16 per cent in the last year (from 271,298 in 1941 to 314,630 in 1942), there has been a decrease of 17 per cent in the number of fatal accidents. The Chief Inspector of Factories, whose 1942 report has just been published, welcomes the decrease in the number of fatal accidents, which is regarded as an index of the care taken to prevent serious accidents; but the rise in the number of less serious accidents is nevertheless disturbing. This increase is especially high among women. It rose from 42,857 in 1941 to 71,244 in 1942, and represents a percentage increase of no less than 389 over 1938, compared with one of 51 per cent for men, though men are still more subject to fatal accidents. This figure is, in the main, a reflection of the increased number of women employed in industry, and since the accident rate is not published, it is difficult to reach any precise conclusions. It has nothing to do with the fact that women are more "accident prone"

than men, though they have been employed on accident-producing machines; if anything, the contrary seems to be the case. The Chief Inspector attributes the increase in accidents to a number of factors. Most of the accidents occurred in the handling of goods and in falls, while "scalping" accidents due to insufficient head protection were frequent; there was no increase in the number due to power-driven machinery. It appears that the speeding-up of production generally, combined with increased war weariness, the strain on supervisory staffs and the shortage of maintenance staffs, and the increased employment of older personnel are mainly responsible for the present position. The Chief Inspector reaches the conclusion that one remedy lies in educating the workers and developing their accident-consciousness; in this connection, the joint safety committees of workers and managements, with trained safety officers, can make a valuable contribution to the reduction of accidents.

The same broad conclusions can be applied to the section of the report dealing with industrial health. The major industrial and occupational diseases have been kept under control, but there has been a substantial increase in the number of minor ailments and sickness. There are plenty of indications of tiredness, after four and a half years of war, with the cumulative effect of the extraneous duties which have to be undertaken, but there are few signs of such lowering of vitality as would lead to major diseases. For instance, in this war the incidence of toxic jaundice from TNT poisoning has only been 19 per cent of that in the last war, in spite of greater production. The maintenance of industrial health may be attributed mainly to the improved preventive measures taken and to the extension of industrial canteens. The number of works medical officers (850), however, seems small in relation to the requirements of factories. It is satisfactory that 98 per cent of the cases where canteens are legally required should be covered, and that the number of canteens (excluding docks and building sites) should have increased from 5,695 in December, 1941, to 8,481 at the end of 1942. Shortage of canteen staffs (and perhaps the lowness of their wages as compared with factory work) has added to the difficulties, and there is need for more variety in menus and service, to avoid what Dr Mereweather has called the "deadly sameness of boiled cabbage." The general trend of hours has been in a downward direction, though the actual numbers of permissions to work up to the maximum increased during 1942. The health and welfare of railway staffs does not come under the province of the Factory Inspectorate, but it is a matter to which Mr Bevin promised to turn his attention last April, and it would be interesting to know what has been done to extend the provision of canteens, medical services and welfare for the personnel employed in railway transport undertakings.

Laundry Services

Laundry services are by their nature localised. There is only one laundry large enough to employ more than 1,000 workers, and chains of laundries are rare. Only 350 to 400 firms employ more than a hundred workers. The total number of laundries of any size is about 2,000, and in addition there are some 3,000 to 4,000 "cottage" laundries, with less than five employees each. No statistics are available of "washerwomen," who do



Issued by the National Savings Commission, London

much essential work. The total labour force of the industry is about 170,000, and the annual turnover is between £30 and £35 million in normal times. Spread over the country, this is a small amount; per head of the population, it is about 4d. a week on the average. Labour is one of the most difficult problems for laundries, despite the fact that no withdrawals of operatives have been made by the Minister of Labour since April, 1942. More than 90 per cent of laundry workers are women; the gross wastage is about 30 per cent. Since most of the work is relatively unskilled, and the industry lends itself to part-time labour, new workers can be readily absorbed, but the net wastage is now about 5 per cent. The Minister of Labour has agreed to replace lost workers where possible. Previous high standards of work have had to be sacrificed. The fortnightly, instead of weekly, service has reduced the amount of civilian laundry, and this has enabled the extra military laundry to be done. Each soldier is allowed seven pieces a week, the ATS, WAAF and RAF eight, and the American Forces nine, which is far less than the Americans have been accustomed to. Any larger amount would have seriously overloaded the already over-worked laundry capacity. Prices are controlled, and an additional percentage over pre-war rates may be charged. This varies from region to region, from 12½ to 37½ per cent.

September Debt Changes

The national debt return covering the period August 30 to September 30, 1943, is dominated by last month's issue of a £120 million 3 per cent terminable annuity to the National Debt Commissioners for the investment of funds held for the Savings Banks. Previous to this transaction the funds in question appear to have been held largely in the form of ways and means advances, and this item is shown by the latest debt return to have fallen by £53,745,000. In the absence of this transaction, this item would probably have shown a substantial advance. The floating debt on September 30th again included no ways and means advances to the Bank of England. This is the third successive monthly debt return to show nothing owing under this head, and only one of the last six returns, namely, that for June 30th, included such borrowing. Although the month-end debt statements are not reliable criteria of the debt position on the other days of the month, the recent evidence of these returns suggests that, in contrast with the position shown by debt returns published since the outbreak of the war, the Treasury has in recent months had less recourse to ways and means borrowing from the Bank of England. Whatever may be the device by which this has been achieved, it is not by maintaining substantially higher balances with the Bank. On the contrary, these continue to run at a level which represents the greatest possible economy of cash. The September 30th debt return shows that Tax Reserve Certificates continue to prove an exceptionally popular security. The amount raised from this source was £54 million, which was more than the yield of any other of the Government's tap loans. On the other hand, £21,782,574 of these certificates were redeemed for tax payments. The net amount raised carried the total of certificates outstanding to £582,769,000, the highest figure yet recorded.

Adequate Copper Supplies

Encouraging reports have been current of larger supplies of light metals, alloy steels and rubber. The Combined Copper Committee has issued a statement that the extra supply of copper is now roughly equal to the present consumption of the United Nations. There has been a shift of emphasis from the shortage of ore and metal to the shortage of manpower in United States brass mills. The following main reasons for the improved position are given: reduced sinkings of copper cargoes; larger scrap collections; reduced requirements of certain types of ammunition, and the increased use of steel shell cases. Thus the improved physical supplies and the changes in librium between supply and demand—for the first time, since 1941. Consumption is none the less at a record level, and the maintenance of this level depends on attaining the highest rate of production possible. Fortunately, there are indications, borne out in some cases by official figures, that copper mining and smelter production are running at record

levels. The United Nations control all the large copper fields in the world, and current production is at the annual rate of nearly three million metric tons, compared with the pre-war maximum of under 2,300,000 metric tons. The collection of "battle scrap" adds larger tonnages to supplies with every Allied advance. In the refining of spent shell cases, their contamination by the explosive charge presents technical problems which the United Kingdom, from its larger experience, is assisting United States refiners to solve.

Skilled Men for the Services

The Corps of Royal Electrical and Mechanical Engineers was formed just over a year ago, largely as the result of the Beveridge Committee's report on the use of skilled men in the Services. The Beveridge Committee recommended that there should be more facilities for technical training, and criticised the training as not being sufficiently related to the practical needs of the Army. An Army Technical School for boys in Berkshire, which is training men for the REME, is meeting this criticism. The boys, who go through a long and intensive training, under military discipline, finally emerge as highly qualified craftsmen, fitted to perform the very practical tasks which fall to mechanics in the Services. Industry, itself short of skilled manpower, has not been able to supply the Army's requirements, and, in any case, the methods of factory production are completely different from engineering work under Service conditions. The REME is organised in four echelons, and in the front-line echelon especially, urgent repairs have to be carried out, possibly under fire, with a limited number of hand tools and great reliance on individual initiative; farther back, nearer the depots and bases, equipment difficulties become correspondingly less. The Army Technical School caters for about 1,000 boys, beginning at 14½-15½; the length of apprenticeship is about three years, and they are trained as armourers, electricians, fitters, turners, vehicle mechanics and radio and instrument mechanics. After six months' initial training in the workshops, the boys are selected for specific trades, and those of his taking into account the boy's wishes and those of his parents and his aptitude and qualifications, though the needs of the Army for particular classes of tradesmen in the broader sense and on physical training and games, since the Army realises that alertness and intelligence are as important in modern warfare as purely technical ability. The importance attached to the school can be gauged from the fact that its cost works out at about £250 per head per year. But quite apart from its value to the Army in time of war, the training of skilled craftsmen in the Services will be of great significance for the future. When they are 18 the boys sign on for twelve years (eight with the colours and four with the reserves), so that at the age of 26-27 they will have the choice of staying on in the Army or entering industry. Their technical training has been accepted as an apprenticeship by all the trade unions, and if they decide to go into civilian engineering, post-war industry will be the richer by the introduction of the highly-qualified and versatile soldier-craftsmen of the REME.

Company Results

Odeon Theatres.—Member of the Gaumont-British group under chairmanship of Mr Arthur Rank.

	Years	Ended Saturday of June, 1943	Third or Fourth
Profit	1941	1,530,639	1,885,000
Interest	1942	126,193	136,100
ARP outlays	1942	5,464	5,000
Taxation	1942	1,100,000	1,400,000
War Damage contribution	1942	55,000	40,000
Preference dividends	1942	93,789	93,789
Earnings for Ordinary	1942	22,231	100,000
Paid on Ordinary (net)	1942	43,150	120,000
Written of preliminary expenses	1942	134,640	80,700
Carry forward	1942	96,892	78,595
Fixed assets, cost less reserves	1942	3,812,130	3,829,219
Inter-company items (net)	1942	2,783,494	2,838,256
Liquid assets (net)	1942	Dr. 508,168	Dr. 501,510
Intangibles	1942	134,640	1,195,951
Gross liquid assets	1942	571,507	2,332,359

† Fifty three weeks. ‡ Before deducting EPP charged against subsidiaries.

COMPANY MEETING

BIRMI INDUSTRIES LIMITED

MR. C. G. MAUDSLAY'S STATEMENT

The adjourned annual general meeting of Birmid Industries Limited, the controlling company of a group of companies engaged in the manufacture and supply of fabricated ferrous and light alloy materials for the aircraft, automobile and allied industries, was held, on the 30th ultimo, in Birmingham.

The following statement by the chairman, Mr C. G. Maudslay, was issued to shareholders with the report and accounts for the year ended October 31, 1942:—

I deeply regret to have to announce the death of one of our directors, Mr C. R. F. Engelbach, and the retirement of the Marquess of Sligo, owing to ill-health, since our last annual meeting. Lord Sligo has been our colleague on this board and its predecessor for eighteen years, and he will be greatly missed; the lack of his advice and Mr Engelbach's will be a severe loss to us. The directors have taken the opportunity of appointing Mr C. E. Keey, Mr A. E. Pearce, and Mr W. N. Sherlock

to seats on the board, subject to confirmation at the next annual meeting.

THE ACCOUNTS

The legal balance-sheet does not call for any special comment. Shareholders will, however, see from the report it is recommended that an additional sum of £75,000 be taken from the profit and loss account and added to the reserve account, bringing the total to £225,000, thus leaving a carry-forward of £40,179 in the profit and loss account.

In reference to the combined statement of assets and liabilities, I will touch on a few of the principal items—the liquid assets, consisting of stock, debtors and cash collectively show an increase of £648,000 over last year's figure reflecting the considerably increased turnover of the group.

In addition, there is a new item of £236,500 in tax reserve certificates purchased to meet impending liabilities, and in this connection I should mention that provision has been made for all ascertainable taxation in the accounts.

On the other side of the account, creditors and reserves for taxation have increased by £765,000. It will be observed that a further £15,000 has been reserved for contingencies, including deferred repairs. The net effect of all these changes is to

increase the surplus of assets over liabilities by £113,000.

SATISFACTORY RESULTS

I think, on the whole, the results of the year's trading have again been very satisfactory, especially as the difficulties under which we are working, and which I stressed in my last year's remarks, have by no means diminished. Those responsible for the output of the Birmid group have strained every nerve to meet the increased demands for its products, and the directors take a pride in the feeling that their efforts have been successful in this respect. It is unnecessary for me to point out what a difficult year this has been for our staff and workpeople, and I venture to suggest the shareholders have every reason to be grateful to them, one and all, from the managing director downwards.

Despite the recent encouraging news from the war fronts, all in the Birmid group are paying due heed to our leader's warnings that now is not the time to relax in any way, but rather to redouble their efforts.

The sum of £75,000 was transferred from profit and loss account to credit of reserve account, and £40,179 carried forward. The dividend of 10 per cent., plus a bonus of 7½ per cent., less tax at 10s. in the £, on the 685,000 shares was paid on December 17, 1942.

The report and accounts were adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.P. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Sept. 30	5,246	4,491	105.9	133.4
Oct. 1	5,516	4,526	106.1	133.5
" 4	7,200	6,450	106.0	133.5
" 5	5,897	6,166	106.1	133.5
" 6	6,226	6,447	106.0	133.5

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

(WEEKLY AVERAGES) (1935-36 = 100)

	1943		Sept. 15, 1943	Sept. 22, 1943	Sept. 29, 1943
	Low Jan. 6	High July 13			
7 Industrials	81.1	103.5	97.2	99.5	98.1
2 Rails	72.6	99.9	91.3	93.4	91.9
0 Utilities	67.9	89.6a	86.9	87.6	87.3
19 Stocks	78.5	100.9	95.2	97.3	96.0
av. yield %	5.36	4.35	4.65	4.54	4.60

* 50 Common Stocks.

(a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Sept. 23	119.8	667,000	Sept. 27	118.7	622,000
" 24	119.7	642,000	" 28	118.5	607,000
" 25	119.6	331,000†	" 29	118.8	466,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending October 9, 1943	Nominal Capital £	Conversions £	New Money £
Particulars of Government issues appear on page 504.			
Year†	Including Conversions	Excluding Conversions	
1943	1,351,963,788	1,332,341,715	
1942	1,185,436,462	1,158,447,289	

Destination*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1943	1,329,117,195	2,585,843	638,677	1,321,178,122	2,127,701	9,035,892
1942	1,158,019,702	349,272	78,315	1,151,294,347	938,562	6,214,380

* Conversions Excluded. † Includes Government issues to September 28, 1943, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.

Conditions in the money market have been exceptionally comfortable this week. After the turn of the month the banks resumed their buying of bills and as the discount market obtained no more than 28 per cent of its applications for Treasury bills at last week's tender it has found no difficulty in financing the bills to be taken up this week. The banks had £80,000,000 of Treasury Deposit payments to make this week against effective maturities of about £50,000,000. The latest Bank return shows the changes consequent on the increase of the fiduciary issue (discussed in a note on page 498). Government securities in the Banking department being down by £57,480,000 mainly accounted for by the transfer of £50,000,000 of securities to the Issue department. The note circulation has increased by a further £4,795,000, thus leaving the reserve of unissued notes at £58,981,000 despite its £50,000,000 reinforcement. Bankers' balances at £150,237,000 are £23,187,000 lower, but are still at a level reflecting the exceptional ease of credit conditions in the money market.

MONEY RATES, LONDON.—The following rates remained unchanged between Oct. 1st and Oct. 7th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%, 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1¼%; 3 months, 1-1¼%. Day-to-day money, 2-1½%. Short Loans, 1-1¼%. Bank deposit rates ½%. Discount deposit at call ½%; at notice 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Oct. 1st and Oct. 7th. (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 (16.159) T.T. 16-85-95. **Dutch West Indies.** Florin (12.17) 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.** 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). **Turkey.** Piastres 520. **Italy.** 71.25 lire. **Market Rates.**—The following rates remained unchanged between Oct. 1st and Oct. 7th:

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-1. **China.** National 53-5½. **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 16.03 pesos.

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.

NEW YORK EXCHANGE RATES

New York on	Sept. 29	Sept. 30	Oct. 1	Oct. 2	Oct. 4	Oct. 5	Oct. 6
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-125	90-125	90-125	90-125	90-060	89-87½	
Zurich†	30-00	30-20	30-20	30-25	31-00	32-00	
B. Aires	25-02*	25-02*	25-02*	25-02*	25-02*	25-02*	
Rio	5-15	5-15	5-15	5-15	5-15	5-15	
Lisbon	4-10	4-10	4-10	4-10	4-10	4-10	

* Official buying rate 29-78.

† Free rate.

§ Bid.

(Continued on page 506)

GOVERNMENT RETURNS

For the 12 days ended Sept. 30th, 1943, total ordinary revenue was £94,073,000, against ordinary expenditure of £182,800,000, and issues to sinking funds of £265,000. Thus, including sinking fund allocations of £6,836,266, the deficit accrued since April 1st is £1,588,235,000 against £1,437,206,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Sept. 30, 1942	April 1 to Sept. 30, 1943	11 Days ended Sept. 30, 1942	12 Days ended Sept. 30, 1943
ORDINARY REVENUE					
Income Tax.....	117,500	273,854	359,470	17,904	27,320
Sur-tax.....	80,000	12,384	12,364	774	939
Estate, etc., Duties.....	100,000	46,509	48,511	1,809	2,454
Stamps.....	17,000	6,960	8,340	1,090	1,520
N.D.C.....	500,000	13,535	13,370	1,145	1,323
E.P.T.....	1,000	154,548	228,353	10,665	13,817
Other Ind. Rev.....	500,000	260	228	...	20
Total Ind. Rev.	187,300	508,050	670,636	33,387	47,393
Customs.....	525,320	228,267	266,142	12,436	17,201
Excise.....	450,180	204,800	234,600	21,400	27,100
Total Customs & Excise.....	975,500	433,067	500,742	33,836	44,301
Motor Duties.....	25,000	4,651	3,711	116	...
Canadian Govt. Contribution.....	...	154,815	5,400	...	...
P.O. (Net Receipts) Receipts.....	400	6,400	...	Dr. 800	...
Wireless Licences.....	4,700	1,520	1,690	360	430
Crown Lands.....	800	460	470	20	20
Receipts from Sundry Loans.....	4,100	1,030	1,993	...	...
Miscellaneous Receipts.....	24,000	53,057	39,641	3,950	1,929
Total Ord. Rev.	2,907,500	1,163,050	1,218,883	70,868	94,073
SELF-BALANCING					
P.O. & Broadcastg.....	110,632	52,600	53,450	4,050	3,350
Total.....	3,018,132	1,215,650	1,272,333	74,919	97,423

Expenditure	Estimate 1943-44	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Sept. 30, 1942	April 1 to Sept. 30, 1943	11 Days ended Sept. 30, 1942	12 Days ended Sept. 30, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt. . . .	375,000	159,506	184,627	2,456	1,696
Payments to N. Ireland	9,500	3,689	3,344	335	332
Other Cons. Fund Services	7,500	3,719	3,538	271	263
Total.	392,000	166,914	191,509	3,062	2,291
Supply Services.	536,675	242,710	260,873	14,444	18,059
Total Ord. Exp.	575,875	259,402	280,022	14,750	18,200
SELF-BALANCING					
P.O. & Brdcastg.	110,632	52,600	53,450	4,050	3,350
Total.	586,938	264,662	285,372	15,155	18,615

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £61,049 to £2,881,880, the other operations for the week (no longer shown separately) raised the gross National Debt by £87,956,772 to £18,431 million.

NET ISSUES (£ thousands)	
Overseas Trade Guarantees	5
P.O. and Telegraph	240
War Damage Act	659

NET RECEIPTS (£ thousands)	
P.O. and Telegraph	904
	2,000

MONTH'S CHANGES IN DEBT (£ thousands)

NET INCREASES		NET REPAYMENTS	
Treasury Bills	15,984	Ways and Means	53,745
Nat. Sav. Certs.	17,450	Advances	53,745
3% Def. Bonds	6,184		
2 1/2% Nat. War Bonds, 1951-53	16,456		
2 1/2% Nat. War Bonds, 1952-54	46,400		
3% Sav. Bonds, 1950-70	26,504		
3% Term Annuity	120,000		
Other Debt	3,526		
Internal	458		
External	69,500		
Treasury Dep. Receipts	32,217		
Tax Res. Certs.	354,679		

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits at Bank of England	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1942						
Sept. 30	2693.3		225.6	5.5	760.5	3684.8
May 29	1065.0	1885.9	233.3	...	983.5	4167.7
June 5	1080.0	...	...	...	...	...
" 12	1095.0	...	...	...	...	...
" 19	1110.0	...	...	...	...	...
July 30	3028.2	...	244.4	55.0	925.5	4253.1
" 10	1155.0	...	...	...	...	...
" 17	1165.0	...	...	...	...	...
" 24	1170.0	...	...	...	...	...
Aug. 7	1170.0	1899.1	309.0	...	973.5	4351.6
" 14	1170.0	...	...	...	...	...
" 21	1170.0	...	...	...	...	...
Sept. 4	1170.0	1892.4	313.2	...	1045.0	4420.6
" 11	1170.0	...	...	...	...	...
" 18	1170.0	...	...	...	...	...
" 30	3078.8	...	259.5	...	1114.5	4452.8

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment	Per Cent Allotted
	Offered	Applied for	Allotted		
1942					
Oct. 2	75.0	156.2	75.0	20.0	15.33
1943					
June 11	90.0	152.8	90.0	20.0	0.76
" 18	90.0	160.8	90.0	20.0	0.69
" 25	90.0	165.2	90.0	20.0	0.47
July 2	90.0	173.5	90.0	20.0	0.37
" 9	90.0	180.2	90.0	20.0	0.28
" 16	90.0	175.4	90.0	20.0	0.20
" 23	90.0	164.6	90.0	20.0	0.40
Aug. 6	90.0	182.8	90.0	19.1	11.30
" 13	90.0	195.6	90.0	20.0	0.02
" 20	90.0	182.5	90.0	19.1	11.95
" 27	90.0	194.0	90.0	20.0	0.42
Sept. 3	90.0	200.4	90.0	20.0	2.93
" 10	90.0	193.3	90.0	20.0	2.40
" 17	90.0	183.6	90.0	19.1	11.10
" 24	90.0	188.8	90.0	19.1	10.97
Oct. 1	90.0	190.2	90.0	19.1	11.98

On Oct. 1st applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as about 28 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid on Friday were accepted in full. £100 millions of Treasury Bills are being offered on Oct. 8th. For the week ending Oct. 9th, the banks amount of £80 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2 1/2% BOND SUBSCRIPTIONS (£ thousands)

Week ended	N.S.C.		3% Defence Bonds		3% Savings Bonds		2 1/2% War Bonds 1951-53	
July 27	4,177	1,366	4,964	10,106				
Aug. 3	3,342	1,181	4,768	5,869				
" 10	3,752	1,574	6,564	6,970				
" 17	5,858	1,415	8,476	15,772				
" 24	5,792	1,329	6,821	14,529				
Sept. 7	5,752	1,340	6,491	29,709				
" 14	5,287	1,522	6,491	7,412				
" 21	4,565	1,413	4,772	8,332				
" 28	5,437	1,393	6,272	15,651				
Oct. 5	5,626	1,386	6,597	12,322				
" 12	...	...	7,510	11,514				
Totals to date	932,305	628,393	1,369,976	5,744,455				

* 201 weeks. † 144 weeks. ‡ 45 weeks.
Interest free loans received by Treasury up to Oct. 5th amounted to a total value of £59,066,171. Up to Sept. 30th, principal of Savings Certificates to the amount of £123,022,000 has been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 6, 1943

ISSUE DEPARTMENT	
Notes Issued:	
In Circulation	991,259,995
In Bank, Department	58,981,723
Govt. Debt	11,015,100
Other Govt. Securities	1038,184,591
Other Secs.	781,871
Silver Coin	18,421
Ant. of Fid. Issue	1050,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	241,711
	1050,241,711
BANKING DEPARTMENT	
Props. Capital	14,553,000
Rest.	3,132,038
Public Depts.	7,820,782
Other Depts.	150,237,565
Other Accts.	55,238,998
	205,476,563
Govt. Secs.	152,177,151
Discounts & Advances	1,835,586
Securities	16,841,815
Notes	18,177,380
Gold & Silver Coin	58,981,723
	1,646,159
	230,982,383

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

COMPARATIVE ANALYSIS (£ millions)

	1942		1943	
	Oct. 7	Sept. 22	Sept. 29	Oct. 6
Issue Dept.:				
Notes in circulation	845.2	980.7	986.5	991.3
Notes in banking department	37.0	19.5	13.8	59.0
Government debt and securities	877.1	999.2	999.3	1049.2
Other securities	1.6	0.7	0.7	0.8
Silver coin	1.3	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2
	168.00	168.00	168.00	168.00
Deposits:				
Public	5.8	7.2	9.3	7.8
Bankers'	138.2	164.4	173.4	150.2
Others	50.2	53.1	55.1	65.2
Total	194.2	224.7	237.8	213.2
Banking Dept. Secs.				
Government	148.4	203.8	209.7	152.2
Discounts, etc.	3.4	0.9	1.9	1.9
Other	21.7	16.9	29.0	16.2
Total	173.5	221.6	240.6	170.3
Banking dept. res.	38.3	21.3	15.4	60.6
" Proportion "	19.7	9.4	6.4	28.4

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,000 million to £1,050 million on October 6, 1943.

PROVINCIAL BANK CLEARINGS £ thousands

	Week ended		Aggregate from Jan. 1 to	
	Oct. 3, 1942	Oct. 2, 1943	Oct. 3, 1942	Oct. 2, 1943
Working days:				
Birmingham	6	6	233	232
Bradford	2,950	1,689	97,812	88,624
Bristol	2,803	1,996	83,684	74,942
Hull	854	664	29,762	25,583
Leeds	870	695	29,656	22,913
Leicester	1,162	1,922	44,169	44,343
Liverpool	916	835	33,159	32,573
Manchester	4,124	6,222	184,074	177,216
Newcastle	13,683	4,070	474,056	377,550
Nottingham	1,347	2,091	58,231	60,389
Sheffield	576	409	18,511	17,875
Southampton	992	1,045	33,287	36,891
12 Towns	104	146	4,433	5,190
Dublin*	30,381	21,784	115,352	96,089
	5,961	6,530	254,918	274,552

* September 26, 1942, and September 25, 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	Two Months
Sept. 30	23 1/2	23 1/2
Oct. 1	23 1/2	23 1/2
" 4	23 1/2	23 1/2
" 5	23 1/2	23 1/2
" 6	23 1/2	23 1/2

The New York market price of fine silver remained at 23 1/2.

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1944, as compared with the corresponding periods of the preceding Year.

	Quarter from July 1 to Sept. 30, 1943, compared with the corresponding Quarter of the preceding Year.				Estimate for the Year 1943-44	Period from April 1, 1943, to Sept. 30, 1943, compared with the corresponding period of the preceding Year.			
	Quarter ending Sept. 30, 1942.	Quarter ending Sept. 30, 1943.	Increase.	Decrease.		Period ending Sept. 30, 1942.	Period ending Sept. 30, 1943.	Increase.	Decrease.
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
Inland Revenue									
Income Tax	144,988,000	204,616,000	59,628,000	...	1,175,000,000	273,854,000	359,470,000	85,616,000	...
Sur Tax	4,722,000	4,342,000	...	380,000	80,000,000	12,384,000	12,364,000	...	20,000
Estate, &c., Duties	21,374,000	24,029,000	2,655,000	...	100,000,000	46,509,000	48,511,000	2,002,000	...
Stamps	3,860,000	5,130,000	1,270,000	...	17,000,000	6,960,000	8,340,000	1,380,000	...
National Defence Contribution	7,350,000	8,204,000	854,000	...	500,000,000	13,535,000	13,370,000	...	165,000
Excess Profits Tax	97,952,000	142,276,000	44,324,000	...	1,000,000	154,548,000	228,353,000	73,805,000	...
Other Inland Revenue Duties	60,000	108,000	48,000	...	...	260,000	228,000	...	32,000
Total Inland Revenue	280,306,000	388,705,000	108,779,000	380,000	1,873,000,000	508,050,000	670,636,000	162,803,000	217,000
Customs and Excise—									
Customs	117,578,000	136,782,000	19,204,000	...	525,320,000	228,267,000	266,142,000	37,875,000	...
Excise	111,500,000	123,600,000	12,100,000	...	450,180,000	204,800,000	234,600,000	29,800,000	...
Total Customs and Excise	229,078,000	260,382,000	31,304,000	...	975,500,000	433,067,000	500,742,000	67,675,000	...
Motor Vehicle Duties	1,506,000	1,873,000	367,000	...	25,000,000	4,651,000	3,711,000	...	940,000
Canadian Government Contribution	56,741,573	...	...	56,741,573	...	154,815,423	...	...	154,815,423
Post Office (Net Receipts)	2,850,000	...	...	2,850,000	400,000	6,400,000	...	...	6,400,000
Wireless Licences	830,000	860,000	30,000	...	4,700,000	1,520,000	1,690,000	170,000	...
Crown Lands	210,000	230,000	20,000	...	800,000	4,100,000	4,972,000	10,000	...
Receipts from Sundry Loans	391,818	1,125,671	733,853	...	4,100,000	1,030,170	1,990,578	962,408	...
Miscellaneous Receipts	36,426,355	26,484,226	...	9,942,129	24,000,000	53,056,807	39,641,242	...	13,415,565
Total Ordinary Revenue	608,339,746	679,659,897	141,233,853	69,913,702	2,907,500,000	1,163,050,400	1,218,882,820	231,620,408	175,787,988
			£71,320,151	Net Increase.				£55,832,420	Net Increase.
SELF-BALANCING REVENUE.									
Post Office Revenue	27,300,000	26,950,000	...	350,000	110,632,000	52,600,000	53,450,000	850,000	...
Total	635,639,746	706,609,897	141,233,853	70,263,702	3,018,132,000	1,215,650,400	1,272,332,820	232,470,408	175,787,988
			£70,970,151	Net Increase.				£56,682,420	Net Increase.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	Oct.	Sept.	Sept.	Sept.
12 U.S.F.R. BANKS	1,161	1,161	1,161	1,161
RESOURCES				
Gold certifs. on hand and	20,562	19,914	19,915	19,882
due from Treasury	20,808	20,362	20,379	20,344
Total reserves	232	320	333	331
Total cash reserves	3,567	9,653	9,204	9,168
Total U.S. Govt. secs.	3,590	9,695	9,237	9,193
Total bills and secs.	25,754	32,589	31,857	31,548
Total resources	25,754	32,589	31,857	31,548
LIABILITIES				
F.R. notes in circ.	10,658	15,165	15,138	15,243
Excess m. bank res.	1,690	2,050	1,890	1,810
Mr. bank res. dep.	11,592	13,729	12,487	12,054
Govt. deposits	661	6	549	682
Total deposits	13,660	15,256	14,697	14,585
Total liabilities	25,754	32,589	31,857	31,548
Reserve ratio	85.6%	67.0%	68.3%	68.7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,754	22,204	22,205	22,175
Treasury & bank currency	3,354	4,093	4,094	4,096
LIABILITIES				
Money in circulation	13,708	18,773	18,714	18,818
Treasury cash and dep.	2,879	2,272	2,815	2,956

CENTRAL BANK OF TURKEY
Million Turkish pounds

	Aug. 22, 1942	July 3, 1943	July 10, 1943	Aug. 7, 1943
ASSETS				
Gold	138.6	197.2	197.2	197.2
Clearing and other exch.	54.2	63.4	65.1	70.7
Treasury bonds	134.5	132.4	132.4	132.4
Commercial bills	332.4	409.8	405.6	400.3
Securities	55.3	61.1	60.8	62.5
Advances	258.0	263.4	262.8	256.9
LIABILITIES				
Notes in circulation	609.5	739.3	736.4	727.9
Deposits	188.1	225.9	214.0	213.6
Clearing and other exch.	24.6	22.3	27.5	31.5

CENTRAL BANK OF ARGENTINA
Million paper pesos

	July 31, 1942	June 30, 1943	July 15, 1943	July 31, 1943
ASSETS				
Gold at home	1,075	1,074	1,074	1,073
Other gold and for. exch.	608	1,606	1,655	1,698
Non-int. Govt. bonds	114	110	109	109
Treasury bonds	392	391	391	391
LIABILITIES				
Notes in circulation	1,489	1,692	1,681	1,687
Deposits: Government	49	429	470	519
Deposits: Banks	654	873	885	881
Certs. of participation	30	43	83	43
Reserve ratio	75.7%	84.0%	84.2%	84.5%

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

	Aug. 3, 1942	July 19, 1943	July 26, 1943	Aug. 2, 1943
ASSETS				
Gold and stg. exch.	28.05	32.83	28.58	29.18
Advances to State	32.06	38.96	34.05	34.13
Investments	4.15	10.31	10.31	10.31
LIABILITIES				
Bank notes	26.13	32.59	32.83	32.89
Demand liab.: State	14.35	22.97	14.36	13.15
Banks and others	22.56	26.74	26.22	27.14
Reserve to sight liab.	44.55	39.9%	38.8%	39.3%

SOUTH AFRICAN RESERVE BANK
Million £'s

	July 24, 1942	July 16, 1943	July 23, 1943	July 30, 1943
ASSETS				
Gold coin and bullion	59.86	72.15	73.17	74.13
Bills discounted	1.10	11.82	11.28	10.03
Invest. and other assets	58.02	87.21	88.02	92.44
LIABILITIES				
Notes in circulation	31.81	43.43	43.57	46.98
Deposits: Government	3.63	7.28	7.29	8.43
Deposits: Banks	71.50	111.04	111.40	113.43
Others	7.70	5.84	6.43	4.04
Reserve ratio	52.2%	43.3%	43.6%	43.8%

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	July 31, 1943	Sept. 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, chilled 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	50
Bacon	1 3	1 10½	1 10½	28
Fish	0 11½	1 2½	1 2½	9
Flour (per 4 lb.)	0 8½	0 9	0 9	21
Bread (per 4 lb.)	0 2	0 2	0 2	32
Sugar (gran.)	0 4	0 3	0 3	32
Milk (per qt.)	0 6½	0 8½	0 9	30
Butter {fresh	1 3½	1 8	1 8	31
{salt	0 10	0 9	0 9	12
Cheese	0 6½	0 5	0 5	1
Margarine, special	0 12	0 12	0 12	28
" standard	0 2	0 2	0 2	
Eggs, fresh (each)	0 6½	0 10½	0 10½	
Potatoes (per 7 lb.)	0 2	0 2	0 2	
Index all foods weighted (July, 1914=100) ...	138	167	166	20

Source: Ministry of Labour Gazette.

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

	Mar. 31, 1937*	Aug. 30, 1939	Sept. 23, 1942	Sept. 14, 1943	Sept. 28, 1943
Cereals and Meat	93.0	66.9	106.1	110.2	110.2
Other Foods	70.4	61.1	105.5	107.5	107.5
Textiles	74.2	54.3	92.9	92.7	92.7
Minerals	113.2	95.4	137.2	135.9	135.9
Miscellaneous	87.0	77.6	121.9	126.8	127.0
Complete Index	87.2	70.3	112.2	114.4	114.3
1913=100	119.9	90.8	154.4	157.4	157.3

* Highest level reached during 1932-37 recovery.

Spices Control.—The Spices (Control) Order, 1943, has been made to control the use of cinnamon, mace and nutmeg, excluding any spice which has been processed in the United Kingdom. The Order requires persons who owned stocks of cinnamon amounting to 10 cwt. or more, and mace and nutmeg amounting to 20 cwt. or more, to make a return. The Order also prohibits persons, except those who own a less quantity than specified above, from processing or selling or otherwise parting with property in these spices, except under licence. Returns of stocks have to be made to the Canned Fruit and Vegetables Division of the Ministry of Food.

Dried Fruits Control.—The Minister of Food has made a new Control and Maximum Prices Order for dried fruit, which

(Continued on page 508)

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, Sept. 28, 1943	Price, Oct. 5, 1943	Yield, Oct. 5, 1943	Prices, Year 1943		Last two Dividends			Name of Security	Price, Sept. 28, 1943	Price, Oct. 5, 1943	Yield, Oct. 5, 1943
High	Low	High	Low					Jan. 1 to Oct. 5	Jan. 1 to Oct. 5	High	Low	(a)				
Iron, Coal and Steel																
83½	81	83½	78½	Consols 2½%	79	79½	51/9	46/7½	4	a	7	b	Babcock & Wilcox £1	46/6	47/6	4 12 6
113½	109½	112½	109½	Consols 4% (after 1957)	110½	110½	57/—	49/3	11½	b	35	a	Roberts Colliery Ord. £1	55/—	54/6	5 10 0
100½	99½	100½	100½	Conv. 2½% 1943-45	100½	100½	31/2½	26/6	13½	a	6	b	Brown (John) Ord. 10/-	26/6	27/6	3 12 6
101½	99½	102½	100½	Conv. 2½% 1944-49	101½	101½	32/—	26/—	23½	a	6	b	Colvilles Ord. £1	23/6	23/6	6 16 0
103½	101½	104½	102½	Conv. 3% 1948-53	103½	103½	35/9	29/3½	15	b	8	c	Dormant Long Ord. £1	28/9	31/6	5 1 9
108½	105½	107½	105½	Conv. 3½% (after 1961)	104½	104½	36/0	34/6	4	a	6	b	Guest Keen & Co. Ord. £1	34/9	35/—	5 14 0
101½	98½	101½	98½	Conv. 5% 1944-64	101½	101½	44/—	49/—	12½	a	14	b	Hadfields Ord. 10/-	30/6	30/6	7 10 0
96½	93½	97½	95½	Funding 2½% 1956-61	95½	95½	50/—	50/—	12½	c	12½	c	Staveley Coal Ord. £1	35/9	35/9	2 8 9
101½	98½	101½	98½	Funding 3% 1952-57	100½	100½	54/6	54/6	6	b	10	c	Stewarts and Laidlaw £1	35/9	35/—	5 14 0
102½	99½	102½	99½	Funding 4% 1959-69	99½	99½	61/6	61/6	6	b	10	c	Thomas (Richard) Ord. £8	11/—	11/—	6 0 8
116½	113½	116½	113½	Funding 4½% 1960-80	113½	113½	27/4½	27/4½	2½	a	5½	b	United Steel Ord. £1	25/—	24/9d	6 5 0
103½	101½	103½	101½	Nat. Def. 3½% 1944-48	101½	101½	22/2½	17/10½	6	b	4	a	Vickers Ord. 10/-	18/9d	19/—	5 5 0
101½	99½	102½	100½	Nat. Def. 3% 1945-48	101½	101½	21/10½	17/10½	Nil	c	Nil	c	Textiles			
101½	99½	102½	100½	War Bonds 2½% 1945-47	102½	102½	23/10½	14/3	Nil	c	Nil	c	Bradford Wyres Ord. £1	22/9	23/3	Nil
101½	99½	102½	100½	War Bonds 2½% 1946-48	102½	102½	11/6	3/5	Nil	c	Nil	c	British Celanese Ord. 10/-	33/6	34/—	Nil
101½	99½	102½	100½	Savings Bds. 3% 1955-65	100½	100½	36/3	41/3	5	b	3½	a	British Celanese Ord. 10/-	49/—	48/6	3 12 0
116½	112½	115	112½	Victory Bonds 4%	113	113	45/—	45/—	5	b	2½	a	Courtaulds Ord. £1	55/—	54/6	2 15 0
103	100½	103½	100½	War Loan 3% 1955-59	100½	100½	29/9	31/3	3	c	3	c	Fine Cotton Spinners £1	24/3	24/6	3 1 0
106½	103½	106½	103½	War Loan 3½% aft. 1952	104½	104½	31/—	31/—	7½	c	1	c	Lanes, Cotton Corp. £1	36/6	36/6	4 2 0
97½	95½	98½	95½	Local Loans 3%	98½	98½	103/—	76/3	5	a	15	b	Electrical Manufacts.			
2	101	102	101	Redemption 3% 1986-96	94	94	26/7½	24/9	12½	b	7½	a	Callenders Cable, &c. £1	102/6	102/6xd	3 18 0
				Austria 3% 1935-53	101	101	50/10½	44/6	10	c	10	c	Crompton Park, A' 5/-	26/—	26/—	3 16 6
County and Electricity																
101½	100½	101½	100½	Australia 5% 1945-75	102	102	85/—	85/—	17½	c	17½	c	English Electric Ord. £1	48/—	48/—	4 3 0
101½	100½	101½	100½	New Zealand 5% 1946	104	104	3/4	5					General Electric Ord. £1	91/—	91/—	3 18 9
101½	100½	101½	100½	Nigeria 5% 1950-60	111	111	43/3	37/—	3	a	5	b	County of London £1	40/6	40/6	3 19 0
101½	100½	101½	100½	Corporation Stocks	106½	106½	20/1½	16/3½	1	c	14	a	Gas Light & Coke Ord. £1	19/6	19/3	2 12 0
101½	100½	101½	100½	Birmingham 5% 1946-56	106½	106½	35/—	31/3	4½	b	2½	a	North-East Electric £1	32/6	32/6	4 6 0
97½	95½	98½	95½	Liverpool 3% 1954-64	93	93	42/—	37/3	5½	b	3	a	Scottish Power Ord. £1	38/—	38/—	4 1 0
106½	104½	106½	104½	Middlesex 3½% 1957-62	104	104	39/3	5	3	a	3	a	Yorkshire Electric £1	41/—	41/—	3 19 0
Motor and Aircraft																
102	97½	102	97½	Argentina 4½% Stg. Bds.	101½	101½	28/6	19/7½	10	c	10	c	Austrian Motor £1	28/—	28/—	1 15 9
64½	61½	64½	61½	Brazil 5% Funding 1914	65½	65½	25/9	15/6	7½	a	7½	a	Birmingham S.A. £1	25/3	24/9	6 9 0
35	23½	36½	30	Chile 6% (1939)	33	33	19/3	12/—	6	b	6	b	Bristol Aeroplane 10/-	14/3	14/—	7 2 3
103½	101½	103½	101½	Egypt Unified 4%	101½	101½	16/3	16/3	7½	b	8	c	Fairley Aviation Ord. 10/-	16/7½	16/9	4 14 9
92½	90½	92½	90½	Portuguese 3%	94	94	30/—	30/—	6	c	6	c	Ford Motors Ord. £1	35/—	35/—	3 8 6
61½	58½	61½	58½	Spanish 4%	72	72	10/10	16/7½	17½	b	15	a	Hawker Siddeley 5/-	77/6	76/10½	3 19 9
							79/3	68/9	2½	a	2½	a	Lucas (Joseph) Ord. £1	43/6	43/6	2 0 0
							45/6	37/6	10	a	12½	b	Morris Motors £1	43/6	43/6	3 14 0
							111/3	98/1½	20	a	20	a	Rolls-Royce Ord. £1	109/4½	108/1½	3 14 0
Shipping																
17	9½	17	9½	B.A. Gt. Ind. Ord. Stk.	15	15	23/10½	18/9	Nil	c	2½	a	Cunard Ord. £1	23/6	23/3	2 3 0
118	113½	118	113½	Can. Pacific Corp. \$25	101½	101½	26/—	22/6	6	c	6	c	Furness, Withy Ord. £1	25/—	24/9	4 16 6
65½	61½	65½	61½	Gen. Western Ord. Stk.	109	109	34/6	30/3	6	c	6	c	P. & O. Def. £1	33/—	33/—	4 16 0
20½	108	24½	24½	G.W. 5% Cons. Pref. Stk.	59	59	24/9	22/1½	6	c	6	c	Royal Mail Lines Ord. £1	23/—	23/—	5 8 0
65½	61½	65½	61½	L.N.E.R. 4½% 1st Pref.	31½	31½	16/7½	16/7½	5	c	5	c	Union Castle and Rubens	18/6	18/6	5 8 0
65½	61½	65½	61½	L.M.S. Ord. Stock	60	60	11/3	96/3	11½	c	10	c	Allied Sumatra Rub. £1	10/9	11/3	Nil
65½	61½	65½	61½	L.M.S. 4% Pref. 1923	69	69	12/—	12/—	2	c	Nil	c	Anglo-Dutch of Java £1	17/—	16/3	Nil
72	63	72	63	London Transport 'C' Stk.	60	60	38/6	31/6	2½	a	7½	b	Jokai (Assam) Tea £1	36/3	37/3	5 7 6
26½	20½	26½	20½	Southern Def. Stock	76	76	2/5	1/6	6	b	Nil	c	London Asiatic Rub. 2/-	2/1	2/1½	Nil
80	72½	80	72½	Southern 5% Pref. Ord.	76	76	20/9	14/10	9	c	Nil	c	Rubber Plims. Trust £1	19/—	19/—	4 14 0
							1/4½	1/4½	9	c	Nil	c	United Serling Rubber 2/-	2/—	2/—	Nil
Tea and Rubber																
81/6	73/6	81/6	73/6	Alexanders £2, £1 pd.	79/6	79/6	78/1½	5/26	5	a	15	b	Anglo-Iranian Ord. £1	106/10½	105/—	3 16 0
7½	5½	7½	5½	Bank of Australasia £5	364½	364½	85/7½	72/6	10	b	5	a	Burmab Oil Ord. £1	81/3	80/—	3 2 6
383½	363	383½	363	Bank of England Stock	439	439	63/9	63/9	12½	b	12½	b	Shill Transport Ord. £1	83/1½	82/6	1 4 0
42½	43	42½	43	Bank of Montreal \$100	30/—	30/—	84/0½	84/0½	10	b	5	a	Trinidad Leaseholds £1	93/1½	90/7½	3 6 0
35½	29½	35½	29½	Bank of New Zealand £1	74/—	74/—	72/6	72/6	10	b	5	a	Miscellaneous			
79/9	72/6	79/9	72/6	Barclays Bank 'B' £1	9½	9½	55/—	55/—	10	c	10	c	Assoc. P. Cement Ord. £1	64/7½	66/3	2 14 0
68½	64½	68½	64½	Chartered of India £5	77½	77½	58/—	55/—	10	c	10	c	Barker (John) Ord. 5/-	67/3	67/3	2 19 9
68½	64½	68½	64½	Lloyds A £5, £1 paid	58/6	58/6	55/—	55/—	24	a	24	a	Bate Patent Drug Ord. 5/-	42/6	42/6	2 16 6
93/3	84/6	93/3	84/6	Midland £1, fully paid	88/8	88/8	58/6	58/6	7	a	7	a	British Aluminium £1	47/—	47/—	4 5 0
66	6	66	6	Nat. Dis. £2½, fully paid	62	62	111/3	96/3	11½	c	10	c	Brit.-Amer. Tobacco £1	108/9	108/9	1 16 6
75/—	70/6	75/—	70/6	Nat. Prov. £5, £1 paid	72/—	72/—	81/6	70/6	8	b	7	a	British Oxygen Ord. £1	80/—	80/9	3 14 0
484	462	484	462	Royal Bank of Scotland	481	481	40/4	32/6	8	c	8	c	Cable & Wire, Hdg. Stk.	78	78	5 2 3
58/—	49/1½	58/—	49/1½	Union Discount £1	54/—	54/—	117/6	117/6	15	b	12½	a	Carreras 'A' Ord. £1	135/—	135/—	4 1 0
91/3	85/—	91/3	85/—	Westminster £4, £1 paid	88/—	88/—	20/1½	20/1½	6	c	6	c	Dunlop Rubber Ord. £1	39/9	39/9	2 2 9
							28/3	28/3	12½	a	12½	a	Elec. & Mus. Ind. 10/-	32/3	31/9	3 18 6
							62/6	62/6	5	b	5	b	Gesellschaft 5/-	77/6	76/3	1 7 0
							37/9	37/9	5	b	5	b	Harisons & Cros. Def. £1	38/9	38/9	4 2 6
							7½	7½	10	b	10	b	Imperial Chemical Ord. £1	78	78	2 5 0
							444½	444½	10	b	10	b	Imperial Tobacco Ord. £1	44½	44½	4 5 0
							22/0	22/0	5	c	5	c	International Nickel n.p.	36/6	36/6	2 14 0
							33/—	33/—	5	c	5	c	Lever & Unilever Ord. £1	63/3	63/3	3 2 6
							51/9	51/9	10	c	10	c	London Brick Ord. £1	58/6	58/6	3 0 0
							44/7½	44/7½	15	a	20	b	Marks & Spencer 'A' 5/-	58/6	58/6	3 0 0
							100/—	100/—	7½	a	7½	a	Muesel's Ind. Ord. £1	102/6	102/6	3 19 0
							63/—	63/—	12½	b	12½	b	Pinchin Johnson Ord. 10/-	37/—	37/—	3 19 0
							68/9	68/9	63/—	12½	b	12½	Spillers Ord. £1	65/—	65/—	2 8 6
							72/—	72/—	10	b	10	b	Tate and Lyle Ord. £1	71/6	71/6	3 15 0
							30/—	30/—	10	c	10	c	Triplex Safety Glass 10/-	38/—xd	38/—	2 11 9
							90/4½	90/4½	10	b	10	b	Tube Investments Ord. £1	79/—	79/—	4 6 0
							72/6	72/6	8½	b	8½	b	Turner & Newall Ord. £1	32/6	32/6	3 3 0
							33/9	33/9	26/6	7½	d(15)	b	United Alcolac Ord. 6/8	58/—	58/—	3 5 9
							52/9	52/9	30	10	10	10	Woolworth Ord. 5/-	58/—	58/—	3 5 0
Mines																
229	188½	229	188½	Debenure Corp. Def. Stk.	227½	227½	61/6	47/6	35	b	45	a	Asbanti Goldfields Prd. 4/-	60/—	60/7½	5 5 0
224½	189	224½	189	Investment Trst. Def. Stk.	222½	222½	7/11½	4/9	(6)	c	10	c	Burma Corp. Ord. Rs. 9	71/½	71/½	4 12 0
207	169	207	169	Trustees Corp. Ord. Stk.	203½	203½	62/6	40/3	10	c	10	c	Cons. Glids. of S. Af. £1	62/—	62/—	5 0 0
223	197½	223	197½	U.S. Deb. Corp. Ord. Stock	220½											

(Continued from page 506)

came into force on September 19, 1943. This Order revokes and re-enacts with certain modifications previous Orders dealing with dried fruits. The principal provisions of the revoked Orders are repeated in the new consolidating Order except that the maximum retail price for dates is increased from 7d. to 9d. per lb., and a charge at the rate of 1s. 2d. per cwt. for breaking bulk, where incurred, may be added to the wholesale price for dried fruit. The permitted charge for breaking bulk will not affect maximum retail prices. The provisions of Article 6 formulate more specifically what records of transactions are required to be kept by traders.

Canteen Workers' Wage Increases.—The minimum wages for adult workers in canteens operated by the National Society of Caterers to Industry will be increased by 2s. 6d. a week from

October 11th. The new minimum weekly rates for adult workers, who also receive meals and other emoluments valued at 10s. a week, are: men chargehand cooks, 80s.; men assistant cooks, 70s.; women chargehand cooks, 55s.; women assistant cooks, 50s.; kitchen porters, London area, 65s.; outside London area, 62s. 6d.; women cashiers and clerical workers, London area, 48s.; outside London area, 45s. 6d.; women cleaners and general workers, London area, 43s.; outside London area, 41s. 6d. The agreement provides for annual holidays with pay, sickness pay and additional rates for overtime and night work.

Potato Lifting.—Volunteers are still urgently required to help farmers lift the potato crop. Individuals and employers who can release workers should communicate with any County War Agricultural Executive Committee.

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:

25, 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
Amritsar	Colombo	Nuwara	Nairobi	British E.A.
Bombay	Delhi	Eliya	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 ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability

Assets exceed \$1,400,000,000

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

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, 3,921 Agencies at Post Offices in Australia.

As at 30th June, 1943—General Bank Balances ... £287,573,348
Savings Bank Balances ... 221,004,631
Note Issue Department ... 149,496,942
Rural Credits Department ... 2,464,150
Other Items ... 21,990,375

£682,529,446

London Office: 8, OLD JEWRY, E.C.2.

A. H. LEWIS, Manager.

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 ALEXANDRIA WATER COMPANY, LIMITED, ALEXANDRIA—EGYPT

INTERIM DIVIDEND.

NOTICE IS HEREBY GIVEN that an Interim Dividend of FOUR SHILLINGS per £5 share on Coupon No. 110 will be paid without deduction of British Income Tax but less Egyptian Government and Alexandria Municipal Taxes amounting to 6.192d., making 3s. 5.808d. net, on and after the 15th October, 1943, at the National Bank of Egypt, in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C.4.

By order of the Board,

T. D. KEY,

ROBERT WALTON } Joint Managers.

Dated, Alexandria, Egypt, the 1st October, 1943.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5225

REGISTERED AS
A NEWSPAPER

OCTOBER 16, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Pacific Command - - - 509

Coal Comfort - - - 511

Agricultural Policy - - - 512

NOTES OF THE WEEK - - - 515

Two Voices; Co-Belligerent Italy; The Great Surprise; The Portuguese Concession; A New Phase?; Talking on Air; Uthwatt Dismembered?; The Machinery of Government; Nazi Crisis; Confidence Restored?; Clothes Snatchers; "Forward—By the Right"; Domestic Service; As Others See Us; The Balkan Scene; Shorter Notes.

AMERICAN SURVEY - - - 520

Priorities in Labour; The Five Senators; Government by Allegation; Political Warfare; Shipping and Strategy.

THE WORLD OVERSEAS - - - 522

Trans-Jordan's Economy; Mexican Oil; "Independent" Slovakia; Russia at War.

BOOKS RECEIVED - - - 525

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316.

Playing at Politics - - - 514

Priorities in US Labour - 520

World Capital Bank - - - 507

THE BUSINESS WORLD

BUSINESS NOTES - - - 529

Gold and Capital Bank Plan; Brown on Housing; Post-War Shipping; Air Transport and Shipowners; On Nationalisation of Transport; Underwriting and Stagging; Progress at Montreal; £1,000 Million of TDRs; Anglo-Italian Payments; Bombay Bullion Prices; Disposal of Surpluses; Diamonds Once More; "Settling-in" Grants; Developing South America; Engineering Wages; Coal Mining Technicians; Shoe Repairs.

COMPANY MEETINGS -

RECORDS AND STATISTICS

Pacific Command

LORD LOUIS MOUNTBATTEN has arrived in Delhi; the end of the monsoons is at hand; and now Mr T. V. Soong, China's Foreign Minister, has joined Lord Louis for consultations at his new headquarters. Is it to be assumed from all this that a new phase will shortly open in the war against Japan? Does it presage a new attack on Burma? It is no secret that the Chinese have been pressing urgently in the last year for more weight and vigour behind the Allies' Pacific campaign. How much more can be done? Mr Churchill told the Commons after his visit to Ottawa that the major part of America's war strength is deployed in the Pacific. That strength is, admittedly, growing very fast; but if there is to be a sudden and decisive increase in Allied strength in the Pacific it can only come from the British side. The British contribution is already considerable. In his recent speech to the Anglo-American Press Association, Mr Morrison reminded the Americans that

the British war effort in the Far East is not something that belongs in the future. Today, in New Guinea, which is for the time being the most active of all Pacific fighting fronts, Australia is supplying the greater part of the manpower and most of the equipment for her own soldiers. In the whole vast Far Eastern theatre, taking British, Australian and Indian troops, the Empire's contribution in manpower is comparable to America's own.

Any further reinforcements from the British side would have to come from the fighting fronts of Europe, and

although the opening of the Mediterranean may have freed a certain amount of naval tonnage for use elsewhere, the European war is dependent at every stage upon shipping. It would be folly at this crucial stage of the European fighting to drain away the manpower and the machines that are needed for the final blow, a blow which, once struck, will release an overwhelming concentration of military power—above all, air and naval power—for use against Japan.

Until this overwhelming concentration of new force can be applied to the Pacific war, it is very doubtful whether the Allies can do much more than they are doing—which is to keep Japan's military resources stretched to cracking point and to wear them down by a steady and sustained attack on the Japanese periphery. There are encouraging signs that this restrained tactic is having increasingly severe results for Japan. The evacuation of Kiska without a fight was, as Mr Churchill pointed out, the first sign of a new unwillingness on the part of the Japanese High Command to waste its resources. Since then, there have been other withdrawals in New Guinea and New Georgia. General Tojo's recent announcement of total mobilisation in Japan was designed, according to German commentaries, not only to step up the output of Japanese war industries, but also to cure the Japanese people of the illusion that easy victories in the first phase had secured them prosperity and success without further efforts. Japan's present strategy in occupied territory also suggests a new desire to shepherd its

reserves of manpower. Gestures of political conciliation have been made to the Burmese, the Siamese, the Filipinos, and the Chinese. "Independence" has been solemnly given to Burma and the Philippines, Siam has received four Malayan States. The French have been compelled to give up a number of their treaty bases and concessions in China, and the International Settlement at Shanghai have been handed over to Wang Ching-wei's puppet government. The motive behind all this generosity is to popularise the Japanese puppet governments and to encourage recruitment for police and auxiliary work among the native peoples. The Japanese already speak of Burmese and Nanking "armies."

These signs of military strain in the Japanese war effort, compared with the blind and spendthrift complacency of the first year, show that the Allied tactic of "nibbling at the edges," however unsensational, is having its effect. But the state of the war in the South Seas and the geographical disposition of forces show that any more daring strategy demands resources which cannot be released until Germany is defeated. General MacArthur's strategy has in the past been reported to be an advance island by island, air base by air base, upon the Philippines. The capture of Munda in New Georgia and of Lae and Salamau in New Guinea were preparatory steps to the capture of Rabaul, Japan's biggest air and sea base on the Australian fringe. The Americans and Australians are now about 400 miles from Rabaul, and it seems likely that a few more months of hard fighting will bring them to their goal. But in a recent statement General MacArthur repudiated the "costly method of island hopping" and certainly the next step is much more difficult. Great distances are involved. Much heavier concentrations of air and sea power will be necessary. The wastage already inflicted on Japan's navy and air force in the New Guinea fighting is already heavy, but it does not seem probable that the Allies have yet achieved a sufficient superiority in the area to launch out beyond Rabaul.

It is, however, true that the Allies' position in the South West Pacific depends upon the degree to which Japan's resources are being wasted elsewhere. Lord Louis Mountbatten's new command covers the ground over which two expeditions were attempted last winter—Brigadier Wingate's commando expedition into Burma and the British advance and retreat in Arakan. Both expeditions illustrated the extreme difficulty of attacking Burma from the Indian land frontier. The defenders possess all the advantages in terrain and lines of communication. The alternative—an amphibious campaign designed to bring the Allies into central Burma by way of Rangoon—would demand a far higher concentration of air and naval force than it has so far been possible to achieve. The strain put on the Japanese navy has prevented it from exploiting its strong position in the Gulf of Bengal; but before the Allies could attempt amphibious operations along the coasts of Burma the Japanese navy would have had to be driven back on Singapore, the Andaman Islands recaptured, and it is probable, too, that the building of air bases on the east coast of India would have to be carried much further. Amphibious operations demand an enormous preparation in terms of air bases and invasion ports, quite apart from the men and air and sea power involved. The eastern areas in India were not in any way equipped to act as the base for an invasion, and the evidence does not suggest that the preparations have reached anywhere near their final stage.

It follows that, for the time being, Lord Louis will probably not be able to do much more than intensify at the other extremity of the Pacific front the nibbling tactics of MacArthur in the south-west. It is not likely that this restricted strategy will draw off enough Japanese men, ships and aircraft to allow for sensational advances beyond New Guinea. And the development of more than a restricted strategy in Burma would be possible only if there were direct and serious diversions from the European front. The creation of the East Asian Command probably does not mark the beginning of a vast new offensive. It will entail a more vigorous prosecution of more limited objectives. But the grand strategy of reconquest must await the end of the European war.

There is another reason why the decisive strategy of the Pacific war must wait for the defeat of Germany. How can any final shape be given to the Pacific struggle until the part Russia will play in it has been established? The Russians, like the British, may intend to switch their vast war effort from West to East. If, however, they decide to remain neutral, the attack against Japan must be launched from the south and will presumably follow in reverse the Japanese advance of 1942, the British re-occupying from India and Burma the Singapore, Siam and Indo-China route to the Philippines, the Americans and Australians the Pacific island route. The reconquest of Indo-China and the Philippines, coupled with the reopening of the Burma Road, would presumably bring the Chinese armies back into play and make possible a joint action by land and sea against occupied China.

It is, of course, impossible to write in any but the most general terms of these broad sweeps of strategy, but one thing can be said with certainty from the first. Whether or not Russia decides to take part in the Japanese struggle, the Allied operation will be a combined operation on a scale never before conceived or attempted. Even without Russia it will entail the co-operation of three Great Powers and of several smaller nations. It will entail the co-ordination of many different, widely separated fronts. It will entail the closest co-operation between all three Services and, particularly in the relations between air and sea power, a radical change in the traditional outlook of the service leaders. General MacArthur has already said that communications in the South West Pacific are "a function of air power with naval support." There are other revolutions ahead for the orthodox. It is difficult to imagine a situation in which more misunderstanding, more inter-state and inter-departmental frictions, jealousies and recriminations would be possible. At present, the framework of the Commands is not likely to diminish the possibilities of conflict. There is an India Command. There is an East Asian Command. The relations between these two Commands are not yet clear. Is Lord Louis Mountbatten's Command to include a separate air and naval Command? If not, what will be his relations with the air and naval officers under the India Command? Is he to control the ferry service, largely operated by Americans, between India and Chungking? Then there is a China Command. And in the south-west, there is MacArthur's Command. Unless there is some rationalisation of this plethora of separate Commands and some very clear principles of integration of their various activities, such as have been achieved in the Mediterranean theatre, there may well be chaos when the time comes to swing every front forward into violent action. As long as all the fronts are relatively static, it is easy to define and fix spheres of influence which do not overlap. But the dynamic period will come. Even now, General MacArthur has raised a minor political storm in America by announcing after Lord Louis's appointment that he was ready "to serve in any subordinate capacity" and Mr Curtin has intervened to say that the South West Pacific Command is not in any way subordinate to Lord Louis. If this can happen in these static days, what will happen when an Allied advance fuses and confuses all the fighting fronts?

While the war in Europe draws to a close, the Allies have in the Far East a blessed period of relative quiet in which to concert their preparations for the great attack. Their first need is a United Nations Pacific General Staff equipped with a planning staff which will consider the total strategy not in terms of this or that nation or this or that service or this or that front, but in terms of the maximum contribution each man, plane and ship can make to the common strategy. The Pacific Command is like a great orchestra of highly temperamental musicians. Without a skilled conductor in the shape of a Central Staff and a central plan, the most appalling disharmony will result. But once such a central authority has been established, the subordinate problem of overlapping commands and rival strategies will fall into place. The enforced lull of this winter can be turned into a guarantee of final speed if the organisational lesson learnt and the right military structure created now.

Coal Comfort

GOD from the machine as ever, the Prime Minister came down to the House, on the second day of this week's coal debate, to silence the critics; and by one of the dearest political performances of his career he got his way. But the coal problem was still unsolved when he sat down.

Nationalisation, Mr Churchill said, is politically impossible without a mandate from the electors. It is also technically impossible to nationalise the mines in time to meet war needs for coal. It has not been proved that nationalisation would necessarily do what is wanted, that is, raise the efficiency of the industry to the maximum. Nor, indeed, has anyone openly asked for it. The obvious answer to Mr Churchill's statement was "Nobody asked you to, sir, she said."

In a sense, the Prime Minister's decision to rest his case mainly on the rejection of nationalisation was just as political an act as a demand for immediate nationalisation would be. The problem is a technical one. More coal must be got from the mines, perhaps as much as 15-20 per cent more every week, to supply military as well as home requirements. The Government certainly has no mandate for the nationalisation of the coal industry; but ever since the Coal Mines Act of 1930 every Government has had a mandate for its rationalisation. If under the blanket of nationalisation, Mr Churchill intended to rule out a more radical scheme of reorganisation than has yet been tried, he was using a political argument to evade a pressing technical issue.

The Prime Minister did give assurances. The crisis in coal production is not, in his view, so serious as the figures and forecasts have suggested: if the domestic consumer is as sparing in his use of coal as he was last winter, the operational control instituted last year by the Government's White Paper plan, together with the recruitment of forced labour as well as volunteers, should see the country through. As Mr Grenfell pointed out, there is no published evidence to back this confidence: the regular labour force is dwindling and ageing, and the trend of output in the next twelve months, if there is no radical change in organisation and methods, will be downward, even with the aid of pressed men—while demand, with incalculable military calls added, will be upward. The Prime Minister promised to consider changes, short of fundamental alterations in the structure of the industry, in the White Paper programme of control; but, like Major Lloyd George, he believes that it has worked satisfactorily—on the somewhat naïve ground that no owner or manager has opposed its operation.

The Prime Minister's guarantees to the miners were frank and friendly. Government control of mining operations, as it now exists, and the national regulation of

wages will continue through and after the war, until a General Election can decide between nationalisation and the alternatives. Rightly, he rebuked those who claim that the shortfall in coal output is due, to any appreciable extent, to wilful absenteeism or strikes. While he soothed the owners' ceaseless and distracting fears of nationalisation, he refused their plea for the restoration in the pits of the big stick, privately wielded; indeed, he probably gave too little support to the campaign of the miners' leaders against irresponsible elements. But the problem of getting more coal had only a small place in this very understanding section of his speech. "Blood, tears, toil and sweat," "Back to the job" and "No political controversy" are hallmarks of a statesman's oratory; they do not add up to a coal policy. It is because the political approach is out of order, because the coal problem is national and technical, not sectional and political, because, as one Member said in the debate, the past of the industry cannot be dissociated from its present and its future, that the Government was in duty bound to offer more towards a solution than cautionary words, warm-hearted assurances and, meanwhile, an extension of conscription to coalmining.

More coal is urgently needed. This means more workers and more coal per worker. Voluntary recruitment has entirely failed; the inducements offered have proved wholly inadequate, and men have preferred "the battlefields to the pits." The Government has decided on a compulsory call-up for coalmining as for the Services, a last resort which, for all its difficulties, it can claim has become inevitable. There is to be a further comb-out of former miners from the Army, but not of operational units; earlier comb-outs yielded only small results. To provide an additional financial incentive to miners, the recommendation of the Greene Committee, published last week-end, that the basis of the bonus scheme should become the pit, instead of the district, is to be adopted, which should have been done from the outset. Major Lloyd George gave no evidence one way or another about how control has in fact worked in terms of coal gained.

The coal problem will never be solved by tinkering, either now or after the war. Past omissions and failures may make drastic *ad hoc* expedients necessary now; but the problem can only be solved in the context of a long-term policy to raise the industry's efficiency by the right methods and incentives. It is, of course, a familiar politician's trick to excuse himself from taking thought for the morrow by stressing the need of to-day; and to go on doing this, year after year, without even being aware of any inconsistency. A long-term policy of reorganisation will not bear immediate fruit, any more than it would have done if it had been introduced a



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

year ago, as it should have been. But if one had been introduced in 1941 there would have been more coal in 1942, and if one had been introduced in 1942 there would have been more coal this winter. Unless one is introduced now there will not be enough coal next year. Temporary expedients, such as those proposed by Major Lloyd George, must be tried now for this winter; but they are assets that will waste with tragic swiftness, except as part of a positive programme to raise productivity.

What is needed, what has been needed for a generation, is the technical reorganisation of coalmining, an industry which was by-passed by the Industrial Revolution. In the United States, a smaller number of miners produce more than twice as much coal as in Great Britain; in 1937, for example, some 600,000 miners produced 500 million tons, whereas in Great Britain, despite the pre-war speeding-up in the process of mechanisation, some 700,000 miners produce at the annual rate of less than 200 million tons. Experts explain this very large difference in terms of geology, and there is no doubt that the different technical conditions of the American coalfields account for much of the difference in output per head; but they do not account for anything like all the difference. In the past the United States has got cheap coal by mechanisation, while Britain has got it by paying low wages—and in the last pre-war decade by fixing its own prices to consumers statutorily. This is not to accuse mine owners of flagrant exploitation; during the whole of the inter-war period there were more miners than mining jobs; and wages, raised during the war to the union's satisfaction, then reflected the industry's overblown state. But it would be unrealistic to absolve them completely. The Coal Mines Act of 1930 provided for the concentration of production by financial amalgamation; the Coal Mines Reorganisation Commission set up under the Act had to report the industry's unwillingness to carry out this policy.

The question is no longer whether technical reorganisation should be enforced, but how it should be enforced. Obviously the coalfield, not the pit, should be the technical unit. There is a choice between two solutions. One is the compulsory amalgamation of the financial interests in each of the coalfields; the other is the compulsory buying-out of the mine-owners by the state. Half-way measures have been a failure. Last year's coal plan ostensibly provided for "full control over the operation of all coal mines" for the duration of the war. In practice it is little but a superstructure. There is a Controller-General, assisted by regional controllers, paid by the Government and with "full authority." But the managers of individual collieries, the technicians of the industry, are still the servants of collieries; and the plan has not produced the coal. What is the next step? The argument for preferring the amalgamation of private ownerships to state purchase is that this solution would retain private enterprise and initiative as the main incentive, while there is no evidence that state ownership would do better than state "control." But what guarantee is there, after the

experience of the 'thirties, that the owners would really seek and secure maximum technical efficiency?

The Mineworkers' Federation has said

the responses that are required by the nation from the men cannot be forthcoming unless the workmen can be assured that the benefits of these responses do not accrue to the colliery companies.

This is political bargaining, and the miners have no right whatsoever to point a pistol at the nation's head. But "handsome is as handsome does" applies even to mine-owners. The miners' distrust, as Major Lloyd George discovered in going "around the coalfields," is deep-rooted and a fact of industrial life.

Quite apart from politics, and purely on the technical grounds of productivity and the nation's coal supplies, state purchase must eventually be given serious consideration. But this is now ruled out; and financial pooling, subject to price control by the Government to safeguard the interests of the consumer, should probably be given a limited trial first in any case. A permanent increase in efficiency, by whatever means, must be secured. It is in this light that the present scheme of control should be radically re-examined as a matter of urgency. If productivity increases it will be possible to raise wages to a higher level and to improve conditions. Few men will choose coalmining unless the industry can offer more attractive conditions. The lesson has been driven home hard by the small number of persons of military age choosing work in the pits, by the unwillingness of miners to encourage their boys to go into the mines, by the outcry over Mr Bevin's suggestion to draft young boys into the mines, over the recent decision on juvenile wages and over the inadequacy of workmen's compensation in an industry where workers are worn out at an early age and the rate of accidents is grievously high.

Technical reorganisation would not solve this winter's coal problem. But it is inevitable, for efficiency's sake alone, and its introduction now would lay the foundations for an improvement next year; by enlisting goodwill and attracting more voluntary recruits, it would make a modest contribution even during the next few months. The limited comb-out of miners from the Army will produce only meagre results. The conscription of men for the mines, the consequence of previous impolicy, is at best a very regrettable necessity. Existing miners must be induced and helped to produce more coal. Before they can make additional physical effort they should be given more food and, particularly, more meat; and they are entitled to special reward for special exertions. The mine-owners still object to the pit bonus scheme because it would lead "to pressure towards a movement of labour to the more successful pits." Such a movement is precisely what is needed, because the more successful pits will generally be the most productive pits. But these palliatives, necessary though they are, offer no solution of the coal problem. Output may be aided for a few months; but the real issues have once more been shirked.

The Agricultural Problem—II

What Kind of Agricultural Policy?

AN article in last week's *Economist* suggested that the right agricultural policy for this country, after a war and post-war conditions have gone, should be to ensure the minimum production of the crops required for the efficient management and the maximum production of the required for national health. The opposing as large as possible an acreage was rejected as uneconomic, unnecessary even for defence reasons. By policy can the programme of agriculture be desirable in the national effect? lives are well known, and have

been much debated. Broadly, they are three: control of imports by tariffs, bulk purchases or a system of quotas; the stimulation of either production or consumption, or both, by subsidies; and the guarantee of prices in order to maintain output. In general terms, the test should be, first, whether the methods chosen restrict or expand the total supply of food available to consumers from all sources, at prices which they can pay; and, secondly, whether the supply available is of the kind of foodstuffs that consumers want and need. In the context of agricultural policy alone, there is no case at all either for restricting the total supply of food, or for limiting consumption by maintaining prices higher than efficient production requires.

It is possible that, even in the brave new post-war world, exchange and trade difficulties may require, at any particular date, that imports from certain countries should not be allowed to increase; but this will be at best a necessary evil, and should affect foodstuffs and essential raw materials last of all. There are, in addition, as will be suggested later in this article, technical reasons of agricultural practice why the production of limited quantities of certain commodities, in themselves uneconomic by comparison with overseas supplies, should be protected; but the right method here, too, is not to shut off imports, but openly to subsidise home output up to, and not beyond, the level required. The remedy for apparent over-production or under-consumption is not restriction—that is, under-supply—but the maximising of effective demand by the maintenance of national full employment and the redistribution of national income by social security and other measures.

Many of the recent plans put forward by various bodies for the reconstruction of agriculture have leaned, not unexpectedly, towards the control of imports. The National Farmers' Union, naturally in view of its programme for large-scale British production in all branches of agriculture (which was summarised in last week's article), asks for the continuance of state purchases of overseas foodstuffs by a Ministry of Food "for the purpose of regulating post-war supplies," a view shared by the Conservative Party's report on agricultural policy; and there is little doubt that "regulation" in this context implies restriction. The Government will be expected to restrict its imports from overseas in the interests of home producers and, as the Conservative report suggests, to pay differential prices in their favour if it also purchases home produce.

Import boards and state trading have been, and still are, advocated as a method of obtaining bulk supplies of foodstuffs at cheap prices for popular consumption; and, after the experience of wartime, there are obvious benefits to be obtained in this way. But the use of state trading on protective and restrictive lines would carry with it all the disadvantages, national and international, of the restrictive regulation of imports, which, before the war, was a more serious menace than tariffs to world trade. It would invite retaliation against British imports, and gain no agreement abroad. The only right purpose of state purchase is to purchase.

The Role of Subsidies

Agriculturalists view direct subsidies with disfavour because they regard them as carrying some sort of stigma which, for some reason, does not attach to state purchase, quotas and tariffs—and as less permanent. The citizen and taxpayer, on the other hand, will prefer them wherever it can be proved that public aid is necessary; he can see how much money is being spent on assistance to agriculture, and what for. This is the view of the recent Liberal Party report. British agriculture may reach a high level of efficiency—the wartime record is in many ways encouraging—and still require a permanent measure of strictly limited assistance, for purely technical reasons, to certain of its branches. This country is likely to remain largely a country of mixed farming, which precludes specialisation beyond a point. No matter how efficient home farming may become, climatic and economic conditions will result in some of the products it cannot dispense with being more cheaply produced in some other country.

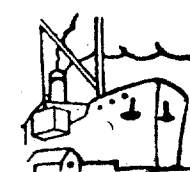
This means that, in respect of these products, special assistance will be required by home producers—though, it should be very strongly emphasised, only to the extent needed to maintain the minimum output dictated by the minimum requirements of good husbandry. If the aim is to maintain a minimum acreage under the plough, the frank, fair and effective way of achieving it is by an acreage subsidy—and there is no technical reason why the total tillage area should be more than 10-15 per cent larger than before the war, despite the NFU

demand for an increase of 60 per cent. If the aim is to maintain a minimum output of particular crops, again for technical reasons, the proper method is a subsidy per unit produced up to a rigid maximum, devised in such a way as to encourage efficiency while stimulating production. And the amount of these subsidies which may be required to maintain the industry's capital, so to speak—to make possible a minimum, and strictly limited, output of certain products in order to keep Britain's mixed farming in good trim—will be much reduced if certain steps are taken by the Government to lower farm costs still further by the spread of mechanisation, the provision of cheap electricity and the cheapening of seeds, phosphatic manures and lime.

Much more important is the kind of policy required to maximise the output of the kind of products, the protective foods, on which British agriculture, for social and economic as well as technical reasons, should concentrate. The market for, say, bread and, perhaps, potatoes had probably reached its limit in this country before the war. The market for meat had considerable room for expansion, provided no barriers were imposed for the protection of home produce, already protected naturally by quality and freshness. The market for milk, eggs, vegetables and fruit was limited only by the purchasing power of the people. Social security, freedom from want and full employment, successfully carried out as state policies, can make this potential demand effective. In Northern Ireland during the war, where the National Milk Scheme to provide cheap or free milk to certain classes of consumers has not been accompanied, as in Britain, by shortage of overall supplies and rationing, sales of milk for human consumption have risen by about 60 per cent. Never again should any section of agricultural policy be based upon the sort of restriction which, before the war, reduced the total supply of bacon available to consumers from 14,000,000 hundredweights a year to a quota of 10,670,000 hundredweights—simply in order to raise prices to a level at which home producers could supply a substantially increased share of the market.

The keynote of agricultural policy should thus be expansion—in the right direction; and the direction will be set by a marriage between agriculture and nutrition. Can British agriculture expand its production of protective foods after the war at prices which will enable potential demand to become effective? There is no reason why not. During the war, expansion of the ploughed area has brought much marginal land into cultivation; and prices have had to be advanced sharply to do this, while in the case of milk, egg and meat production, the absence of imported feeding-stuffs has pushed up costs. After the war, in the case of milk, eggs and pork, renewed imports of feeding-stuffs, enabling more balanced rations

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

Co-Belligerent Italy

The Badoglio Government has declared war on Germany, and the Allies have accordingly granted Italy the status of co-belligerent. This concession in no way alters the terms of the armistice, nor does it prejudice the extent to which Italy will achieve "self-redemption" simply by adhering to the Allied cause. Italy does not become an Ally. Old claims, old misdeeds and old injustices still stand. The test now is, on the one hand, how far Marshal Badoglio can in reality associate the Italian people with his decision and with his Government, at present wholly out of harmony with the popular will; and, on the other, the degree of active participation given by the Italians in the fight. Nothing in the present situation suggests that very much help will, in fact, be forthcoming. Every report and every observer from Italy confirm the fact that the Italian attitude towards the struggle, apart from militant political activities in some towns, is one of supreme apathy. This springs in part, as did French apathy in 1940, from indifference to the issues involved in an unwanted war. But it springs, too, from famine conditions. In many districts the people are so weak and listless that they hardly help each other, quite apart from giving any assistance to the armies of occupation. Both the Germans and the Allies are hampered by this background of non-co-operation. Kesselring appears to have given up his attempts to mobilise labour and has tried to get round the difficulty by allowing men to volunteer for Italian firms which, in their turn, have contracts with the Todt Organisation. Apathy, too, is shaping the problem of getting men back to the colours. In the struggle between Ricci with his purified Militia and Graziani, with his restored army, it looks as though Graziani has come out on top, for although it has been announced that "the Army will be reorganised round the militia," it has been made clear that the men will be called up in the normal way and will be in no sense Fascist enthusiasts, or even Fascist volunteers—for there are none. The Badoglio Government faces the same difficulties. Bari Radio recently broadcast its first military decree. A number of offences are brought under courts-martial, some with the death penalty attached. Among the offences are, significantly, desertion, cowardice before the enemy and refusal to obey orders. In the main, it is a decree of compulsory mobilisation. Men who left their units after September 8th and do not join up again as soon as their district has been occupied by the Allies, will be treated as deserters. The military value of all this is extremely doubtful. Badoglio's reasons are obvious enough. The larger the contribution made by Italy to an Allied victory, the greater the chances of Italy keeping some remnants of its earlier possessions. But the Italian people care nothing for the Dodecanese or for Zara, or for the Italian Empire in Africa. They simply do not want to fight.

The Great Surprise

The resumption of the Soviet offensive after the short "lull" in the first days of October may be described in the history of this war, so full of surprises, as one of its most decisive and unexpected turns. The Germans pinned many hopes on the lull; and military commentators all over the world had taken for granted an interval in the fighting of some duration, when the Russians announced the capture of Nevel in the north and advances from three consolidated bridgeheads on the Dnieper. The drive to Nevel portends the unhinging of the entire German defence system on the northern sector; further advances there may force the Germans to start a large-scale retreat from the Leningrad province. The consolidation of the Dnieper bridgeheads creates multiple threats to the Germans on the middle and lower reaches of the river. Kiev can now be enveloped by pincer movements from north and south. This will take some time, since the exploitation of a spring-board established across a wide river is the most critical stage of such an operation. But the fall of Kiev—like that of Gomel—can hardly be delayed for long; and the capture of the Ukrainian capital is likely to be followed by a tremendous acceleration in the tempo of the Russian advance. As an administrative and transport centre, Kiev stands to the western Ukraine in the same relation as Kharkov stands to the Ukraine east of the Dnieper. The moral effect of a recapture of Kiev needs no stressing; it would be the climax of the battle for the Ukraine. The Kremenchug bridgehead, further to the south, is a threat to the German rear inside the Dnieper bend. The stubborn and costly German defence

along the Zaporozhe-Melitopol line has now turned out to have been a futile military effort. The line has been breached frontally; and it is threatened by an outflanking move from Kremenchug. These are the glittering prizes now within the reach of the Russian High Command. Prospects for the third winter campaign are almost unlimited; and against this background a recent statement in the *Bolshevik*, organ of the Political Bureau, about "the liberation of all Soviet territories in 1943" deserves attention, even if the view is taken that the actual process of liberation may not be concluded until the early months of next year.

The Portuguese Concession

British ships and aircraft can now use the Azores as a base for their ceaseless harrying of the German U-boats. After making this announcement to the Commons, and recalling ancient treaties back to Edward III, Mr Churchill gave no answer to the suggestion that the example of England's oldest ally should be brought to the notice of England's oldest plantation, Ireland. This concession from Portugal will undoubtedly make the work of the Navy and the Air Force far surer and safer, especially the work of the latter against new attempts from the air. But, since the U-boat menace may well have passed its peak, the importance of the Portuguese concession lies at least as much in the light it throws on the general political and strategic issues of the war as in its immediate military value. Like the Italian collapse, it is a sure sign that the peoples of Europe see the writing on the wall and know that the days of Hitler's empire are numbered. None of the nations which has so far avoided war wants to be drawn into the conflict at this stage. But they are now ready, by "all means short of war," to speed the Allied victory, and in doing so to secure a measure of Allied goodwill. The sympathy of Portugal has never been in doubt. Dr Salazar has on many occasions reaffirmed his country's 600-year alliance with Britain, and since the maintenance of Portuguese trade and the Portuguese empire has long depended on the pacific power of the British Navy, all Portugal's real interests were already engaged on the Allied side. As long as Germany was undisputed master of the Continent, however, any departure from strict neutrality could have been used as an excuse to bring Portugal into the war; and the Portuguese, like all other unattacked neutrals, great and small, were not prepared to take the risk. The fact that the risk can now be taken shows the extent to which the German grip has relaxed. The Portuguese are still neutral, of course, and can possibly claim that their gesture, which is designed to protect the safety of shipping in the Atlantic, is not an unneutral act. The weakness of Germany will be gauged by the nature of its reaction. In the Italian crisis, the Nazis' counter-measures were rapid and effective, but in the Iberian Peninsula the opportunities for action are more remote and precarious. To strike at Portugal would mean an extension of German military commitments into new fields and a new strain upon its depleted manpower. It is certain, too, that the Spaniards would not co-operate in any German venture. There is the possibility that the Portuguese themselves have further measures in view. The largest army manoeuvres in the country's history are taking place, and for months past the fighting effectiveness of the country has been steadily and quietly increased. Posters have recently appeared on Lisbon walls warning the people that it may be necessary to fight; and, even if the Portuguese do not intend any intervention in the European war, there is the Pacific war and the problem of Timor. At the time of the Allies' weakness in 1942, the Portuguese were compelled to accept the Japanese occupation of Timor with only a protest. There have been signs recently of a more intransigent temper, and talk of sending Portuguese divisions to join in the Allied fight. Portuguese intervention in the Pacific war is probably certain sooner or later, but it could be accomplished with less risk if Germany's defeat had already been secured.

A New Phase?

No one, friend or foe, now doubts the quantity of Allied might; the enemy's hopeless inferiority in weight has become too apparent. Some have doubted, friends as well as foes, whether the quality of the Allies' thought and action is equal to their material power. A contrast has sometimes

been drawn between the swift imaginative thrusts of the Germans, when they were top dog, and the more ponderous reliance of the Allies on weight of numbers. Several episodes have lately done something to dispel these doubts. The occupation of the Azores, with the full consent of Portugal, and without any routine flapdoodle about saving the islands from an imminent enemy descent, far exceeds by its ease and friendliness the clumsier, bloodier occupations carried out by the Nazis even in their prime; the pooling of bases against the common enemy, which has been held up by so many inhibitions in the past, is carried an important step forward. At sea and in the air, a fresh forward policy can be glimpsed. The remarkable trip of midget submarines 50 miles into Norwegian fiords to wound and fix the battleship "Tirpitz"; the Home Fleet's dash in strength to cripple a convoy, by air attack, off the Norwegian coast; the bombing of more German warships and naval installations in far-off Gdynia; and the destruction of a vital German aircraft assembly plant thought safe in the east—all these are signs that the rapier may be coming into its own beside the bludgeon.

Talking on Air

With promptness and energy all his own, Lord Beaverbrook has conjured an Imperial Conference on civil aviation almost out of thin air. He is to be warmly congratulated on his un-Ministerial celerity. Talks with representatives of Canada, Australia, New Zealand, South Africa and India have ended. Observers from Newfoundland, Southern Rhodesia and Burma have been sitting in; while Mr Churchill has said that the British delegation included a representative of the Secretary of State for the Colonies. The Prime Minister did not call this a Conference; the proceedings were preliminary and exploratory; obviously, none of the distant Governments could be bound by anything in the nature of decisions at this hastily gathered meeting. The real Conference has still to be arranged—with similar speed it may be hoped. But any dress rehearsal produced by Lord Beaverbrook inevitably tends, if only because of his great zeal and determination, to take on the character of the actual stage performance; and it is very important to know from the outset what the script should and should not include. There is every reason, technical, political, and international, for a regional agreement on the principles of post-war aviation policy between the world-scattered parts of the Empire. There is none at all for the making of prior commitments which may impede inter-regional arrangements with the United States and the Soviet Union. The fundamental question, whether the British Commonwealth is to be a unit or a series of separate units for the purposes of President Roosevelt's "freedom of the air," with national lines reserved for national operators, will have to be decided in Canberra, Ottawa and Washington, not merely in London.

Uthwatt Dismembered?

Mr W. S. Morrison, Minister of Town and Country Planning, gave cold comfort in his advance hints last week of the Government's decisions on the various proposals made by the Uthwatt Committee for the control of land-use in planning. He promised no action at all. He did promise that the terms in which the Government is prepared to accept two of the Uthwatt proposals would be announced shortly. These proposals had already been accepted many months ago, as far back as the time of Lord Reith, much the most positive and practical Minister yet associated with physical planning: local authorities, we are told again, will be given power to purchase all the land in reconstruction areas for redevelopment; land values, it is repeated—with the same iteration as the small boy who cried "Wolf, wolf," to his own ultimate detriment—will be fixed at the level of March, 1939. Meanwhile, speculation in land proceeds without much apparent fear of words becoming deeds. Meanwhile, too, the inter-related Uthwatt proposals for the purchase of development rights in rural areas and for a levy on betterment values stay in cold storage, and have presumably been frozen to death. The Government has a blanker answer to the criticisms inevitably invited by this almost incredible record. These are, Ministers say, one after another, very difficult matters, very complicated and very technical. The fact that they are also very important, indeed crucial, slips from the official mind; nothing is done; no alternatives are suggested; and the certainty that this

will lead, first, to chaotic and costly rebuilding, and, secondly, to the most powerful campaign for land nationalisation that this country has ever known, is entirely forgotten.

The Machinery of Government

The greatest disappointment when Parliament met this week was the absence of any statement about the functions of Ministers in the reshuffled Cabinet. It almost seems, despite the many optimistic forecasts made, that the recent changes were not changes at all—except in faces and names. Probably the greatest single factor in delaying decisions about reconstruction to stopping-point is the absence of any clear-cut authority for reconstruction in the Government hierarchy. The ball can be, indeed must be, deftly tossed from Sir William Jowitt to the chairman of the Home Policy Committee, now presumably Mr Attlee, on to the Minister of Town and Country Planning, and back again to Sir William Jowitt. Inevitably, it falls to the ground and rolls under the furniture. The real reason for this somewhat ham-handed game is the fact that none of the players has been authorised to hold the ball when it is thrown to him, and the Prime Minister has too many other games to play to make this one his affair. Inveterately optimistic, after disappointments, many people had hoped that something was going to be done about this; that the functions of government were going at last to be straightened out and grouped under individual Cabinet Ministers with power to act and decide. They had hoped that, parallel to the Home Policy Committee of the Cabinet, there might be a Reconstruction Committee, with a member of the War Cabinet in charge, not only to correlate all reconstruction work, but to fuse it into a single positive whole. It would be wrong to call Mr Churchill's Government a one-man Government. Few Prime Ministers have left their subordinates so much alone. Unfortunately, without authority, they can only work on and on, as no doubt they do, with nothing really achieved. And now the Prime Minister has told the Commons, in the coal debate, that this is the deliberate purpose of Coalition Government—the maximum of work with the minimum of decisions, which are by and large improper.

Nazi Crisis

It is a Nazi habit to announce a crisis only after it has been mastered. The meeting of party leaders called on October 6th at Hitler's headquarters marked the end, according to the official Nazi view, of a prolonged period of internal instability and the restoration of "order and discipline." The crisis sprang in the first place, of course, from the steady deterioration in Germany's military position. The fear and dissatisfaction aroused by the bombing and by the Eastern retreat were brought to a head by the fall of Mussolini. This event provided a focus for the previous discontent. Lively political interest was aroused by the fact that a dictatorial regime could be overthrown with so little trouble. This type of interest struck at the very roots of party authority. It canalised war discontent; it directed it against the regime and suggested that, after all,

INSURE WITH



7. CHANCERY LANE, LONDON, W.C.2

an end of the regime and an end of the war were not impossible. The fact that release in Italy came through a General was one of the most disturbing factors. For a short time the German people saw the faint possibility of an alternative to the party, whereas hitherto the greatest discouragement to all unrest was the fact that in the "monolithic state" there were no alternatives. The Nazi Party reacted vigorously. Himmler was put in charge of all home affairs, and Goebbels embarked on a high-powered propaganda campaign to kill "defeatism" and bludgeon the people back into the requisite degree of apathy. The two sides of the campaign were not separate. Himmler punished the offences against morale which Goebbels announced, and Goebbels gave due publicity to the punishments inflicted by Himmler. In the course of September, Goebbels published his Thirty Articles of War for the German People—a series of regulations or decrees, all carrying with them severe penalties—"Do not listen to enemy propaganda," "Always think of Germany's struggle for existence," "Do not spread rumours," "Have faith in Germany's final victory," and so forth. At the same time, much more publicity was given to executions for defeatism.

Confidence Restored?

The holding of the October Party Conference suggests that the Nazis believe they have surmounted this crisis of confidence. One after another, the party leaders got up to tell the assembly that all was well on their section of the home front. Himmler is reported to have said that "there is no defeatism on the home front. Individual cases are ruthlessly exterminated." Dr Ley promised that emergency houses were on the way for bombed-out people; Speer guaranteed that the output of weapons would actually be increased by his new methods of mass production; General Milch promised more activity from the *Luftwaffe*; Admiral Doenitz from the U-boats; the Chief of the SA, Schepman, got up to praise the fighting spirit of the SA. The Conference was crowned by a speech from Hitler, who no longer speaks in public. In this case, it is just as well, for the Fuehrer seemed to be using the notes drawn up by Goebbels for his Harvest Festival address. Hitler spoke of the decisive importance of morale and of the rôle of the Nazi Party as the supreme embodiment of the nation's will to victory. An atmosphere of renewed confidence pervaded the meeting. For the time being, the rifts have been closed and the dangerous thoughts of the people driven underground. The Conference was almost a demonstration that the Nazi Party cannot be set aside as the Fascist Party was, that, on the contrary, "In deinem Lager ist Oesterreich"—in their midst is the true Germany. Doubtless the restoration of a Fascist regime in Italy and the re-emergence of Mussolini helped Dr Goebbels considerably, for it showed that, after all, it was not so easy to get rid of the party. But the restoration of "stability" springs more directly from the vigour of the Nazis' own counter-measures. Unhappily for them, it is a very temporary stability and can be overturned again by fresh military disasters.

Clothes Snatchers

For a hundred years Tories have been catching Whigs bathing and have been using their clothes for their own political practices. This, in a single simile, is the story of British government. It is the reason why the Conservatives can claim, with much justification, that the majority of reforms in the past century have been carried out by them; it is also the reason why the pace of progress is seldom, if ever, as quick or as timely as the nation's full needs require. The Conservative Party is the most catholic and adaptable of political organisations, and invariably keeps within its ranks, somewhat removed from the seat of power, a group of earnest and active reformers, crying the name of Disraeli, Randolph Churchill, Joseph Chamberlain or Viscount Hinchinbrooke as the case may be. These are the clothes-snatchers in training. It was the Prime Minister's father who first stated frankly the policy of paying ransom in the shape of political concessions in order to keep power. The present-day Tory outsiders are hard at work; and their work is distinctly good. Too much attention perhaps was paid last week, in discussions of the Conservative Committee's report on demobilisation, to the proposal to release men and women from war service by means of a "points"

scheme. The report was much more than that: it was a practical, comprehensive and simply stated analysis of all, or nearly all, the actual problems that will arise in demobilising members of the Services, including civil defence, civil servants and even factory workers; and in finding a place for them in peace-time work. Training, rehabilitation and resettlement, necessarily dealt with very curtly, were as important a part of the report as demobilisation itself.

"Forward—By the Right"

The same practicality is shown by the report of Viscount Hinchinbrooke's Tory Reform Committee on what they think Tory reforms should be: "Forward—By the Right." The members of this Committee have a clear picture of the relations they seek between the individual and the state, between the parts of the Empire and between nations; they express their politics in terms of the rights and duties that every man and every nation owes to the larger society. They are convinced of the need for social and national security as the first charge upon resources and organisation; and they are insistent that the basis of all political activity at home and abroad must be an expanding economy. Their views, only very briefly stated, on full employment, the future of exports, national planning, public control and the use of land are instances of their "practical approach." They reject the notion that the Conservative Party is "merely a convenient organisation for exposing the fallacies of Socialism"; and they believe that

if there is a broadening field for state ownership of certain monopolies and state direction of the main lines of production policy, there is equally the need to revive at the earliest moment a widespread, healthy and vigorous private enterprise.

They obviously agree with Mr Morrison's recent advice, to Labour Party members, to say always what they mean to do, and not simply what they hope to get or what other people should not be allowed to do. The garments of the Whigs are already almost within their grasp.

Domestic Service

The storm over the registration of the older women has subsided, but there are still minor disturbances threatening the Ministry of Labour's hitherto smooth passage in the mobilisation of woman power. It was reported last week that employment exchanges in Lewes were directing working-class wives into private domestic service in big houses to take the place of servants who had been called up. This allegation is Labour's comeback to the Conservative protest at the registration of non-working-class housewives in their late forties. But the Ministry of Labour has denied the story. "Compulsory directions to private domestic work of this kind are never issued." Women available for part-time work in areas where there is no local war work are asked whether they would be willing to help in household work in someone else's house, and the women concerned at Lewes had all expressed willingness to do so—some of them had been doing the jobs for months. There was perhaps a shade too much horror in the Ministry's denial that people are ever directed to domestic work. Many householders, after all, have been compelled to take in unwanted guests, whether evacuees or war workers, which often means that, in effect, they are compelled to give them domestic service. Is there any reason why a woman of any social status should not similarly be compelled to give a few hours' help a day to a household which is struggling to cope with the sick, the aged or the young? Such work, like nursing, is best done voluntarily rather than under compulsion, but this is no reason why it should not be considered urgent and necessary. If the Ministry of Labour is averse to directing women into other people's homes—to work—it should provide a more satisfactory voluntary scheme than it has so far done, particularly for households where there are young children and babies.

As Others See Us

The British people will be surprised, edified and perhaps rather amused to hear that the American Senators have returned from their world-wide tour of the battle-fronts impressed by the single-mindedness, skill and "teamwork" with which British officials, far and near, from Whitehall to the vast far-flung outposts of Empire, pursue a consequent, detailed and thoroughly digested plan

of action for forwarding British interests. This is not the picture to which the British public are accustomed. They believe that large areas in the Empire were acquired through absence of mind. They know—to their bitter cost—that muddling through on the comfortable margin provided by sea-power was their Governments' grand strategy up to and indeed well into this war. They look in vain for any clear signs of an emerging British foreign policy, capable of fulfilling the demands made by the revolutionary changes of this century. Even when, as usual by happy chance, some new instrument of a progressive foreign policy is set up—for example, the Middle East Supply Centre—they find that few officials are interested in its potentialities, and that, far from working as a team, the various Government departments concerned with the Centre at the London end have evolved no common machinery for exploiting the opportunities it offers. And, far from the Government fighting tooth and nail for British interests, many people in Britain have criticised it for showing an almost maladaptive tendency to bow to the wishes and projects of the Russian or the American Governments. Perhaps the British are wrong. Perhaps there is a vast British plan and a vast machine to implement it. All they say is that they see no evidence of either. Strangely enough, what they sometimes think they see is far-sighted planning, not always perhaps by the American Administration, but by powerful American private interests. It is a national belief in Britain that wherever you go in the British Empire you will find an American engineer building an air base with one hand and nailing down a concession on the other. In some places, the entire ground staff at the military aerodrome is rumoured to be Pan-American Airways in heavy disguise. Now some of the Senators are adding to the British myth by suggesting that the bases "acquired with so much sacrifice" on British and other territory abroad should be retained after the war. The British shake their heads. "Smart chaps, these Americans. And to think they planned it from the start." Can it be, perhaps, that neither nation is as Machiavellian as the other believes?

The Balkan Scene

The relatively slow tempo of the Allied advance in Italy seems to have given the Germans much desired opportunity and time for strengthening their position in the Balkans. Though the military and political odds are, on the whole, heavily against them, they still tackle their tasks with energy and thoroughness. They have, first of all, made it clear that they do not intend to retire from the Balkan coasts to the Danubian plain in case of an Allied invasion. The occupation of Cos is pointed to as an illustration of the German resolve to defend the coastline everywhere in the Balkans. The visit of the German Minister of Communications, Dörpmüller, was presumably connected with the adaptation of transport to new defence needs. At the same time, not insignificant successes have been scored in the fighting against partisans on the Dalmatian coast. All this has temporarily restored some of the German prestige in the Balkans and some of the fear they used to inspire. The risks connected with premature "jumping from the train" (Dr Goebbels's *bon mot*) have visibly gone up. The cauldron has not stopped boiling. Guerilla activities seem to have assumed an altogether spontaneous character. While the partisans have been forced to evacuate some of their strong points on the Dalmatian coast, they have intensified raids on islands in the Adriatic as well as on towns in Croatia, Slovenia and Istria. It would, however, be premature to regard those penetrations as anything more than forays, which cause a great drain on enemy resources, but cannot result in any solid occupation of territory. So far the fighting has been done by the partisans of the People's Army of Liberation, and not by the forces of General Mikhailovitch. General Mikhailovitch himself has stated that, in agreement with the Allied Command, he still keeps his forces back in readiness for an Allied invasion. It may well be that conditions in Serbia, the terrain of General Mikhailovitch's command, still justify the tactics of caution; but this is no longer as certain as it was some time ago.

Shorter Notes

In opening the debate on the Wage Earners' Tax Bill on Thursday, Sir John Anderson pointed out that, if opinion favoured it, he was ready to extend the application of the

"pay-as-you-earn" scheme to lower salaried employees. This is the merest common sense; there would still be a justifiable sense of injustice at the higher levels of income, but in the present unreformed tax system, the application of "pay-as-you-earn" above, say, £420 or even considerably higher, desirable though it undoubtedly is, would be fraught with great administrative difficulties, because of multiple sources of income.

The vital statistics of the nation continue to be good. Live births in the second quarter of this year totalled 180,691, which gives a crude birth-rate per 1,000 of the population of 17.5, against 16.2 in the second quarter of last year, and an average of 15.7 for the June quarter of the five years prior to 1942. The infant mortality rate, at 46 per 1,000 live births, was the lowest ever recorded for this quarter, being nine below the average of the ten preceding second quarters. The death rate of 11.0 per 1,000 compares with an average of 12 for the same quarters during the five years prior to 1942. But an ominous sign for the future of the birth-rate is that fewer marriages took place. The total of 82,120 was 19,334 lower than the average for the same quarter during 1937-41; and it has yet to be determined whether the increase in the crude birth-rate in recent months marks a change in the long-term population trend, or whether it merely reflects the big increase in the number of marriages immediately preceding the war and after it had been declared.

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
May	584	733	1,317
June	201	284	485
July	167	210	377
August	108	164	272
September	5	11	16
Totals to date....	49,970	59,390	109,360

Last month's casualty total was the lowest since May, 1940. Of those killed, 2 were men, 1 was a woman, and 2 were children under 16.

1563  1831

MARTINS BANK

LIMITED

EXECUTORSHIPS AND TRUSTEESHIPS UNDERTAKEN

Total Assets - £183,000,000

London District Head Office: 68 LOMBARD ST., E.C.3

Head Office: WATER ST., LIVERPOOL 2

AMERICAN SURVEY

Priorities in Labour

(From Our Washington Correspondent)

September 20th

A FEW weeks ago a 225-pound man was drafted. His comment was: "I heard they were scraping the bottom of the manpower barrel. Now it looks as though they've come for the barrel."

Until this fall, the manpower claims of industry, agriculture, extraction and the Services have been asserted in anticipation of shortage, on the grim assumption that only the Services could be sure of getting all they wanted. But by means of deferments in agriculture, extension of hours from 40 to 48 a week in sixty odd industrial centres, absorption of unemployed, use of school-age youth through the summer, and recruitment of women, it has until now been possible to avoid the situation where labour supply comes to determine the order in which war goods shall be produced, or even that some shall not be produced at all.

From now on, the story will be different. Unemployment is down to about 1,000,000, close to the limit of employability. Schools have reopened. While the passing of the peak in construction of camps, airfields, quartermaster depots in this country has made available a certain number of building trades workers, of whom many are well adapted to employment in shipyards and elsewhere, overall production for the war programme is not scheduled to reach a plateau for some months to come, and inductions into the armed Forces are continuing; schedules for the fiscal year 1943-44 envisaged an addition of some 4,000,000 persons to the armed Forces and munitions industries before next July. Yet the estimated civilian labour force for August, 1943, was 54.9 million, compared with 55.5 million in July and 56.2 million in August, 1942; and only 10,000 of the 600,000 drop between July and August was in agriculture. Since the late spring, the monthly reports of the chairman of the War Production Board have shown that the percentage increases in production anticipated for the latter half of 1943 have not been building up—in aircraft particularly; this has been closely related to manpower.

Various methods of meeting the situation are finding advocates. For a considerable period there has been talk of a National Service Act—the Wadsworth-Austin Bill is a specific result of this discussion. There is considerable feeling, however, that an overall approach through national legislation would have its drawbacks.

Local Supply and Replenishment

The case for local treatment of the problem is built up from a number of angles. First, a War Manpower Commission survey of areas where labour shortage is acute, where there is labour stringency or will be in six months, where stringency is expected after six months, and where no foreseeable shortage is in sight shows that practically all states, except the Pacific Coast, contain areas falling in each of these categories. With that exception, therefore, the problem appears to be one of location rather than quantity of personnel—towns like Scranton and Berwick in Pennsylvania have empty houses and unemployed workers, while the Philadelphia area has both housing and hiring problems of an acute order.

One view of the matter insists that if the housing problem were solved the hiring problem would be on the way to a solution—people are reluctant to move to areas where shelter, transportation, day care of children, service facilities generally, are rare to non-existent. Moreover, they contend, if progress were made on this line people would not only come to be hired, but would stay hired after they get there. With labour turnover as high as 100 per cent per year in some plants, and with absenteeism also cutting an imposing figure, investigation of local causes of this situation might add manpower without adding more people.

A second approach concentrates on management conditions in the plants. Much war production has been under-

taken on a cost-plus basis; padded payrolls have therefore been no deterrent to keep firms from hoarding labour. Consequently, distribution of workers according to actual need might discover considerable additional manpower in a given locality.

Then there are wage differentials. The fact that average hour earnings for all manufacturing at 94.4 cents contrast with 53.4 cents for laundries, 54.3 cents for general merchandising, 66.7 cents for retail food, has served to draw workers into the munitions industries. Over the country, this doubtless means a shift from less to more essential work, but in the congested munitions areas service industries are a necessary adjunct to war factories if absenteeism is to be cut. Moreover, within the war industries variations exist between plant and plant whose historical basis bears little relation to the relative importance of what is being made. Most graphic of these is the differential between pay at the Kaiser shipyard and the Boeing aircraft factory in Seattle. The two establishments are separated by only the width of a street—but their hourly rates differ by a broad margin.

A Labour Budget

The Baruch Report on West Coast Aircraft Manpower, dated August 19th, proposes use of a local approach in applying priorities to labour supply. Its labour budget plan would put labour on the list of considerations to be taken into special account, on an area basis, by the War Manpower Commission, the War Production Board and the Services, in planning armament schedules. Basic principles of the plan are:

1. A recognition that the problem is a local one and essentially not one that can be handled on a national basis.
2. On the labour supply side of the budget, a system of priorities rating the comparative labour needs of all employers in each critical labour community.
3. To operate these priorities, in each community a Labour Priorities Committee on which all Government agencies concerned sit.
4. The community itself should name the chairman of its Priorities Committee, a strong citizen who has won public confidence and whom both management and labour trust.
5. On the basis of the priorities laid down, the War Manpower Commission should direct the flow of labour to those plants whose products are most essential and whose labour needs are greatest, and in such a way as to stimulate the use of women workers; curtail the use of labour in activities least essential to the war; end hoarding of labour; make for more effective utilisation of labour in plants, and as a guide to draft deferments so that war production is not jeopardised by disruptive drawing of workers into the Army.
6. Employers retain the right to do their own hiring, but they must hire workers from the pool, referred to them by the War Manpower Commission on the basis of priorities.
7. Prompt action by the Priorities Committee, under the leadership of the community chairman, on all local problems affecting manpower, such as housing, transportation, the erection of day care shelters.
8. On the production side of the budget, prompt determination by the War Production Board and other procurement agencies of the priority for war of all products made in these areas.
9. A review of all production programmes on the West Coast and, where necessary, the shifting of contracts to bring production needs into balance with labour.
10. The curtailment of less essential activities.
11. A constant review of all new contracts involving any increase in employment in the area before they are let, as to whether labour is available. If labour is not, the contract should not be approved unless the procurement agencies can curtail other production demands proportionately so that the labour budget is kept in balance.

At the same time that available labour is budgeted and allocated, efforts to increase the total number of workers will go on, with particular emphasis on further employment

of women. In August, 1940, there were 10.8 million women employed in a total of 47.7 million employed persons; in August, 1943, there were 16.9 million women in a total of 53.9 million employed persons. The extent to which they were employed in manufacturing industries related to the war is shown by the table below:

WOMEN IN INDUSTRY		Proportion of Women Employed	
Industry		May, 1940	May, 1943
Total, all Industries below		14.6	27.2
Mining	1.2	1.7	
Contract construction	2.3	3.6	
Manufacturing	16.0	28.4	
Ordnance and accessories	16.3	26.2	
Guns	10.1	17.6	
Ammunition, except for small arms	26.6	34.2	
Tanks	5.0	12.0	
Explosives	15.7	18.2	
Small arms ammunition	37.1	46.0	
Firearms (calibre .60 and under)	15.3	33.3	
Food and kindred products	21.4	33.9	
Textile-mill products	44.6	48.7	
Apparel, and other finished products made from fabrics and similar materials	69.9	77.2	
Rubber products	26.9	39.3	
Leather and leather products	40.1	48.2	
Iron and steel and their products	7.8	15.4	
Aircraft and parts	10.5	32.8	
Ship and boat building and repairing	2.4	9.5	
Electrical equipment for industrial use	24.4	38.5	
Communication equipment & related products	40.1	58.0	
Machinery (except electrical)	9.4	19.3	
Scientific instruments	25.7	43.3	

Expansion of the number of women employed, by firms where such employment is practicable, is likely to be a condition of such firms being allotted more labour under the priorities system. This undoubtedly means considerable adaptation of present working hours to the needs of workers who run a home as well as hold a factory job.

American Notes

The Five Senators

The main, and unexceptionable, theme of the five globe-trotting Senators, now back at home, is the urgent need for a strong, clear, national policy for the United States in its dealings with other nations. It is their contention that the failure to develop and act on such a policy hampers American representatives abroad and gives other nations an unfair advantage in consolidating their political and economic interests. They protest, moreover, with an air of injured innocence, that their criticisms of foreign countries, especially Britain, are in reality not aimed at those countries at all, but at the Administration for not defending American rights more realistically and ruthlessly. Unfortunately, it is by no means certain that this is the main impression left on a public which has been bombarded by illustrations of British guile and is dis-

Government by Allegation

Many commentators have found much to be regretted in the incident of the five Senators. Perhaps the most unfortunate aspect of the whole affair was its pseudo-secrecy which gained a brighter limelight for the actors, apparently suppressed nothing of any sensational nature, and yet left the public with the feeling that no doubt even more horrid revelations were made in the closed session than ever found their way into the press. The *Herald-Tribune* points out that this is final proof of the impossibility of the detailed conduct of foreign relations by a deliberative assembly. The "political tinge" which the *Tribune* finds inescapable was certainly very evident. Although superficially bi-partisan, the senatorial trippers contained one Democrat, Chandler, who is the mouthpiece of the Pacific First group, and thus anti-Administration; and it also contained Senator Lodge, Republican, whose isolationist antecedents are well known. Neither of these has wasted his heaven-sent opportunity of attacking the Administration's



BANKERS TRUST COMPANY

INCORPORATED WITH LIMITED LIABILITY IN U.S.A.

HEAD OFFICE — NEW YORK

SIXTEEN WALL STREET

LONDON OFFICE — 26 OLD BROAD STREET, E.C.2

ALSO

BANKERS TRUSTEE AND EXECUTOR COMPANY LIMITED

conduct of the war, hitherto its relatively strong point. The apt phrase "government by allegation" was coined by Walter Lippmann to characterise a tendency which he fears may be fatal in view of the extraordinarily complicated and extensive relations between Britain and the United States. Admitting that frictions are inevitable, he suggests that a suitable substitute for "*ex parte* statements like those of the Senators" would be the creation of a mixed judicial commission to sift complaints and insinuations in an orderly and responsible fashion. Mr Lippmann is certainly right in anticipating further tensions, particularly in view of the heightened political tension this year in the United States and the strengthening determination of the Senate to take a more active part in foreign relations. One advantage of a judicial commission over such replies as those of Mr Roosevelt at his conference would be to take the answers out of domestic politics to some extent. But it is as well not to be too optimistic. The most judicial denial, belated as it must be, can never entirely catch up with the original insinuation. The freedom of Senators to speak first and think later may well be a price of American collaboration.

Political Warfare

Three proposals now before Congress, carrying the President's recommendation, will, if passed, make historic changes in American policy toward the Chinese and toward two American possessions, the Philippines and Puerto Rico. To some extent the changes are of policy, and less so of practice; their importance is largely in the field of political warfare. The repeal of the Chinese Exclusion Laws, which have prohibited the entry of Orientals except for students and traders, would, by putting the Chinese on the same basis as other nationals, only admit about 100 a year, beside granting citizenship to Chinese residents, but in President Roosevelt's words it would

correct a historic mistake and silence the distorted propaganda of the Japanese. . . . Action by Congress now will be an earnest of our purpose to apply the good neighbour policy to our relations with other peoples.

The President's proposal to Congress to authorise him to advance the date of Philippine independence—at present fixed at July 4, 1946—as the war permits would accomplish the same end of rewarding a friend and depriving the Japanese of a propaganda weapon. There are complications, however, of two kinds. There is, first, the question of assur-

ing Philippine independence in a secure Pacific. Mr Roosevelt has therefore also asked authority to take steps to provide for the "mutual protection of the islands and the United States and the future maintenance of peace in the Pacific." There is also the thornier question of Philippine livelihood. The islands have in the past been developed to depend upon the American market; and the shadier side of some of the agitation for Philippine independence has been the desire of domestic producers—notably the beet-sugar farmers—to shut out Philippine products. It has looked, in the past, as though independence and starvation might go hand in hand. Congress is now asked to

make provisions for determining adjustments in the law to assist in making the Philippines economically secure.

It remains to be seen what inroads Filipino gallantry has made on the domestic sugar *bloc*. The third recommendation comes in the form of a report favouring self-government for Puerto Rico. This follows a report from Governor Tugwell that the United States was in danger of "suppressing an angry people" and keeping them "in humiliating suspense."

Shipping and Strategy

Estimates of a total shipping tonnage of over 50 million tons available to the United Nations have been submitted in a report by the Senate Committee on War Mobilisation. Pointing out that there has been a "windfall" of three million tons, owing to the drop in submarine sinkings and increased output, the report states that with the most efficient use of ships the despatch abroad of an American army of 5,000,000 can be achieved six months ahead of schedule and a decisive blow struck in Europe this year. In order to make the best possible use of every cubic foot of shipping space, the report urges that cargoes must be allocated more efficiently, and the system of dividing responsibility not only between nations, but between domestic agencies such as the American Army, Navy and War Shipping Administration, should be superseded by an inter-Allied shipping strategy board. One of the most useful aspects of the report is its insistence on the fact that shipping can be employed three times more efficiently in the shorter distances of the Atlantic than in the Pacific. There is a vast armada available, but while it is sufficient for mounting several limited offensives in one theatre, it will not stretch to more than one front. It is healthy to have these truths re-affirmed.

stationary and of which barely two-thirds are really settled. In fact, most of the administrative improvements have been due to British guidance and tutelage. Financially, too, Trans-Jordan has been from the beginning dependent on the British Treasury. In addition to a general subsidy, it is receiving a number of grants-in-aid for specific purposes—the maintenance of the Trans-Jordan Frontier Force; Trans-Jordan's share of the Ottoman public debt; the hydrographic survey of the country; the construction of the Trans-Jordan section of the Haifa-Baghdad road, and so on—and the sum total of these grants, which were made to enable Trans-Jordan "to cover legitimate expenditure which the territory was unable to meet with its unaided resources," has amounted during the years 1921-22 to 1941-42 to £P3.35 million, that is, to almost a third of the country's total expenditure.

These open subsidies do not, moreover, include the financial assistance which Trans-Jordan is receiving in many indirect ways. It has been given a disproportionately large share in Palestine's customs receipts and currency profits. The Trans-Jordan section of the Hejaz railway is administered and maintained by the Palestine Government, though it involves a regular deficit which has up to now accumulated to some £P300,000 to £P400,000. Palestine participates to the extent of five-sixths in the maintenance expenditure of the Trans-Jordan Frontier Force and has sole responsibility for paying the High Commissioner, whereas the cost of the British Resident at Amman and of his staff is now charged to Imperial funds. And though, admittedly, some items included in the Trans-Jordan budget have a common Imperial importance, it is beyond doubt that left to itself the country could not maintain even the local services.

The Palestinian Market

Nor is this dependence of a purely financial character. The increase of the Trans-Jordan wheat crop, from 51,000 tons on an average in 1930-32 to 122,000 tons on an average in 1937-39, would not have been possible but for the extraordinary growth of the population of Palestine, which provided an ever-expanding market—it now absorbs over 50,000 tons, against some 10,000 tons ten years ago. Other products of Trans-Jordan agriculture and fisheries (grapes, eggs, fish, sheep and goats, lentils, etc.) also find an excellent market in Palestine; the phosphate rock from the Roseifa deposit is being worked up at a factory near Tel-Aviv; Palestine altogether accounts for well over 90 per cent of Trans-Jordan's exports and for about a third of its imports. Moreover, large numbers of Trans-Jordanians are continually crossing the western border to find in Palestine seasonal or permanent employment as labourers in agriculture or in the towns.

As a result of the war, Trans-Jordan's seclusion and relative self-sufficiency have been further shattered, and its economic future will depend on its ability to exploit and develop its natural wealth. To this end, the most important step would be the utilisation of the country's water resources for intensification of agriculture and rural settlement. According to reliable estimates, it is feasible to irrigate, with an outlay of some £P500,000 to £P750,000, an additional area of 300,000 dunums, which would provide space enough for some 20,000 new settler families. But the capital necessary for this colonisation would have to be supplied from abroad, as well as the instructors and most of the prospective settlers.

Mexican Oil

[BY A CORRESPONDENT]

October 6th

THE United States State Department announced recently that an agreement for the final settlement in the US-Mexican oil dispute had been reached. It provides for the payment by Mexico of an additional \$20,137,700, which, together with the sums paid last year, raises the total compensation for the expropriated United States oil properties in Mexico to roughly \$29 million. Out of this total, the compensation proper amounts to \$23,996,000, while the remainder is accounted for by interest at the rate of 3 per cent from March 18, 1938, the date of the expropriation of the properties. Out of the final award, \$3,796,000 was handed over to the United States Government last week, while the remainder will be paid by Mexico in four equal annual instalments, the last instalment falling due on September 30, 1947.

Although cabled reports refer to the arrangement as "a new agreement," it should be pointed out that the "final settlement" represents no more than the putting into effect of the award made last year by a Joint United States-Mexican Commission. That Commission had valued the former properties of the five United States oil groups in Mexico at \$23,996,000, which compared with the original demands by the companies concerned of more than \$150 million and the original offer by the Mexican Government of less than \$15 million. The great difference between these two sums was due to the fact that the Mexican Government recognised only the surface installations as the properties of the foreign oil companies, while the companies found that, under the Mexican law at the time of the expropriation in March, 1938, they had a claim to be also compensated for the sub-soil oil reserves they had developed. The exchange of telegrams between President Roosevelt and President Camacho after the "Cook-Zevada Award" left no doubt, however, that the two Governments regarded the calculations of that Joint Commission as a just basis for a "final settlement" of the expropriation dispute. But the United States oil concerns were less satisfied, and in September, 1942, rejected the award as inadequate. The Cooke-Zevada scheme is based on an agreement under which the two parties release each other from all reciprocal claims, except those of the Mexican Government for taxes unpaid by the companies. It thus required the United States oil concerns to deliver all documents and titles referring to their former properties in Mexico before the compensation payments are handed over to them, and the final steps have still to be taken. After last week's formal agreement, however, it is unlikely that any new difficulties will arise, and the dispute, as far as it concerns the United States and Mexico, can be regarded as solved.

The position is different with regard to the expropriated British oil properties in Mexico. The Shell Trading and Transport Co., which represents the interests of the Mexican Eagle Oil Co., has from the beginning taken the view that it cannot agree with a settlement which is confined to the surface installations only. Now that a final settlement of the dispute between the United States and Mexico has been reached it is difficult to see how the British interests can

THE WORLD OVERSEAS

Trans-Jordan's Economy

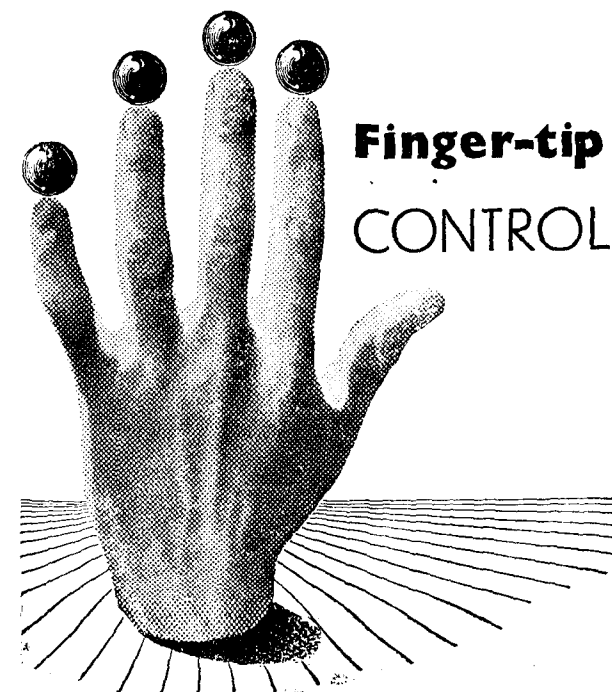
[FROM OUR JERUSALEM CORRESPONDENT]

September 15th

ON the face of it, Trans-Jordan is now an independent country with all the paraphernalia of sovereignty. It has its own army and customs barriers, a Legislative Council, and, since a recent date, its own diplomatic representatives abroad. It has been recognised by the mandatory power and by all the neighbouring states, and even the initial

tension between the local population and the foreign Emir has been steadily dwindling during the twenty years of his reign. Moreover, the administration of the country must be credited with many notable achievements. Efficient control of the Bedouin tribes has practically put an end to raiding, and the new security has induced the villagers to improve their methods of harvesting and to increase their own flocks. A fiscal survey of the settled area has been completed, and land settlement operations, together with a registration of holdings and rights, are proceeding satisfactorily. The old system of tithes and other Turkish taxes has been superseded by new taxation on real property, graded according to the categories of land and to the yield of buildings; and a simple form of income tax on salaries has also been introduced. Educational and health services have been extended, and attempts are being made to encourage the settlement of nomads. The population of Amman, the residence of the Emir, has increased from 5,000 in 1915 to over 20,000, and the enhanced importance of the desert routes to Basra and to Iraq has helped it to obtain a flourishing overland trade. On the other hand, the country has been spared internal conflicts, for there is no industrial proletariat nor any racial differences. To many observers it looks indeed a model Arab state in the very heart of the turbulent area of the Middle East.

This opinion cannot, however, be accepted without some corrections. It should not be forgotten that Trans-Jordan is still the most primitive of the Middle Eastern countries, with a very sparse population—only 3.5 inhabitants per square kilometre—totalling some 300,000, which is almost



Finger-tip
CONTROL

To meet and beat post-war competition you will need business equipment that is as efficient as the methods you will have to employ. That is why the trend will be more than ever towards steel. Only ball-bearing steel can provide that finger-tip control of drawer and door which never intrudes between intention and action. Steel furniture is durable and strong, fire-resisting, vermin-proof, and keeps clean. And Sankey-Sheldon will show in their post-war programme that steel furniture can be beautiful as well with new contours, new colours and coverings to please the eye and touch.

SANKEY-SHELDON
STEEL FURNITURE & EQUIPMENT
Chief Office: 46 Cannon Street, London, EC4

Also
Harris & Sheldon Ltd.
Makers of Shops

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.

be compensated on a basis more favourable than that accorded to the United States concerns.

The desire of the United States Government to settle its oil dispute with Mexico is not surprising. The dispute had long been felt as an obstacle to friendly relations between the two countries, and when the war made the United States dependent on supplies of strategic materials from Mexico, it became necessary to arrive at a final solution of the oil conflict. Mexico's entry into the war on the side of the United Nations, and the development of Mexico's resources with the direct assistance of United States capital, experts and equipment, created a favourable platform for such a settlement, and the two Governments were not slow to grasp the opportunity. A mixed Commission of economic experts was appointed to study the foundation for long-term co-operation. Its report, published early in July, 1943, and adopted by the two Governments, contained a reference to future relations. It says: "The days of exploitation or economic imperialism, whether by nations or by powerful private groups, are past, and no future Mexican or United States Governments will condone or permit their re-appearance." Consequently, only if Mexico sees an economic advantage in their readmittance can foreign oil companies expect to resume operations in Mexican oilfields. In this connection the oil law promulgated by Venezuela earlier this year (described in *The Economist* of May 29, 1943, page 691) may have an influence on the future oil policy of the Mexican Government.

Lack of capital and shortage of experts and equipment caused serious difficulties in Mexico's oil industry in the years following the expropriation of the foreign companies. The "Petrleos Mexicanos (known as Pemex), the Government operating company of the expropriated fields, lost huge sums in its trading operations between 1938 and 1941, and during most of that period was unable to pay even its tax obligations. Production, which had reached 46,907,000 barrels in 1937, the year prior to the expropriation of foreign companies, fell to 38,506,000 barrels in 1938, and never recovered its former rate. Last year, it did not exceed 32,955,000 barrels, but this may be largely explained by the smallness of exports resulting from the tanker shortage. A report on Mexican oil operations in the first five

years of Government control, published early last summer by Señor Efraín Buenrostro, general manager of Pemex, did not conceal the difficulties encountered since 1938. But the report claimed that the Mexican authorities had done what they could to improve the situation. New investments in the five-year period to March, 1943, were given at close on 145,500,000 pesos, of which the National Exchequer provided 60 million pesos. Helped by United States supplies of equipment since 1941, some 91 new oil wells have been sunk since 1938, of which 54 yielded oil. The refinery capacity has been increased from 120,000 barrels daily at the time of expropriation to 150,000 barrels daily early this year. The capacity of the pipe lines has been extended, and rail and road tank facilities, as well as oil storage facilities, have been improved. The known oil reserve this year is estimated at 750 million barrels, which is twenty times the annual average output of the last few years. Nevertheless, it seems that since 1938 no new sources have been located in Mexico, and that the technical equipment of the Mexican oil industry has deteriorated much in the past few years.

American Help

The need for war supplies and the desire to ease the strain on United States oil wells have induced the American Government to assist the rehabilitation of the Mexican oil industry. After the grant of priorities for supplies of oil industry equipment to Mexico since 1941, a United States Government Commission, known as the De Golyer Commission, made a thorough study of the Mexican oilfields in August and September, 1942. In May, 1943, officials of Pemex visited the United States to conclude negotiations for large American supplies of equipment, and in recent months huge Mexican contracts, said to exceed US \$50 million, have been placed in the United States on the basis of the De Golyer Commission's findings. These contracts include the equipment for a 100-octane aviation petrol refinery to be erected in Mexico City, as well as equipment for drilling the wells, and for the improvement and modernisation of the existing Mexican refineries. There can be no doubt that this rehabilitation programme, which includes the exploration of entirely new areas and the concentration of refining and storage centres at the places most conveniently situated for both the domestic market and for exports, will put the Mexican oil industry on a new basis. But it is the position of the international oil market after the war which will eventually decide whether the Mexican Government will continue to look after its own oil affairs or whether it will enter into some new arrangement with non-Mexican oil interests.

Twenty-six Shillings for £1

During 1942 more than 372,000 Prudential Industrial Policies, apart from Free Policies, became Claims by death.

Claim Money exceeded
£6,900,000
including Bonus additions of
£1,080,000.
The Premiums paid totalled
£5,300,000

On the average
£1 6s. paid out
for every £1 paid in

THE PRUDENTIAL ASSURANCE
CO. LTD.

HOLBORN BARS, LONDON, E.C.1.

"Independent" Slovakia

[BY A CORRESPONDENT]

SLOVAKIA'S politicians have changed the tune of their political propaganda in this, the fifth, year of their country's formal independence. The Bratislava newspaper *Slovak* made this comment on the breakdown of Fascism:—

We see, after all, that Italy remains though Fascism has fallen. Similarly, we are inclined to think that Slovak liberty will, under any conditions, continue to adorn the political horizon of Europe.

The ideology of totalitarianism has been practically discarded by official spokesmen, and national independence has been adopted in its place. Indeed, a Swedish newspaper correspondent, commenting recently on the Slovakian situation, said that, whatever their political creed, all political leaders favour the idea of Slovakian political independence after the war. The Czechoslovakian Government has made it clear that the Slovak people themselves are to decide on the question of national autonomy, and it seems by no means unlikely that a majority will be found for the maintenance of some sort of national independence.

But Slovakian independence needs reinterpretation if it is to fit into a new democratic world order. Politically, Slovakian independence has meant, to all intents and purposes, a complete subservience to the Third Reich, coupled with an active chauvinism which has led to sporadic outbursts against Czechs and Jews and to a permanent tension with Hungary. Furthermore, the organisation of this small state on quasi-totalitarian lines has involved the building-up of a vast bureaucracy which, in the words of a Slovakian politician, would be sufficient for a country of eight times as many inhabitants; there exists one civil servant for every 44 persons—not counting the numerous

communal officials or the officials of the state party. The maintenance of such an apparatus is a very serious burden on a country which, economically, has been left almost unaided by its "protecting power," and, therefore, has had no alternative to the pursuit of autarky.

Forestry is the only really important industry of the country, and a recent survey of the Slovakian Institute for Business Research has clearly illustrated the fallacy of an autarkic food policy for Slovakia. The national deficiencies have been calculated as roughly 20 per cent in the case of cereals, potatoes, milk, sugar and most kinds of meat other than beef; only 14 per cent in the case of eggs and vegetables, but 24 per cent in the case of fruit, and hardly any foodstuff is normally produced which would meet the modest needs of the Slovakian people. The Institute makes it clear that "the lack of discipline of producers, dealers and consumers" makes the position worse in present circumstances. The official rations per head per week consist of about 14 ounces of meat of any description (of which, however, only half is usually available); 2 ounces of fats; 3 lb. of bread and flour; 6½ lb. of potatoes; 6 to 9 ounces of sugar (according to the locality); and 3 eggs. Rations for heavy workers are only slightly higher. Milk, butter and white bread are entirely reserved for priority consumers; while vegetables other than potatoes, fruit, poultry and game are only rationed by their exorbitant prices. Many people supplement their rations on the black market, which, according to some critics, is about as large in size as the controlled sector of trade; but, as real wages are estimated to have fallen by 30 per cent since the outbreak of war, it is doubtful whether an ordinary industrial worker can afford to buy many of the black market commodities.

Some show has been made with a recent agricultural reform programme, but the obstacles in its way are formidable, and even the Governor of the National Bank has admitted that it will be difficult even to maintain the present agricultural output in the near future. For the present year, the worst seems to have been avoided owing to what is described as a comparatively good harvest. The fodder shortage, which is the most urgent question in the agriculture to-day, is to be overcome by an increase in the area under cereals; but the peasants are reluctant to sell their produce on the official market at the fixed prices. Grain production, in general, is made particularly difficult by the fact that the countryside is parcelled into 17 million strips of land, and though a recent law forbids further partitions, no real immediate remedy has been provided for the land problem. There is, above all, a severe shortage of fertilisers, ploughs and all sorts of industrial products; and the rise of industrial prices has been considerably more pronounced than that of agricultural prices.

Industrial Programme

To correct this, the Government has embarked upon a policy of higher industrial output; 2,500 million crowns were invested in Slovakian industry between 1939 and 1942, which is rather more than the equivalent of the annual industrial output at the beginning of this period; and the index of industrial production was 121 for 1942, compared with 100 for 1939. The main industries favoured by the investment programme were the wood industry, which mainly works for export, and, to a lesser extent, the chemical and metal industries. The number of miners has increased by 50 per cent, but the output of most minerals, particularly of coal, is still inadequate. Considerable progress, in the face of great difficulties, seems to have been made with regard to the exploitation of the national water power. Finally, 15,000 workers are said to be employed on railway construction—to the great discomfort of Hungary, which considers this a strategical measure directed against itself.

But the process has its limitations. No further overall progress has been made during 1942 and 1943; the food industries are only employed to 50 per cent of their capacity, the leather and cement industries to about 70 per cent. More important still, the recent annual report of the Association of Slovakian Industry makes it clear that "the profitability of some branches of industry has dropped considerably," and the higher cost of production has largely contributed to the increase in the price level which has proved to be so detrimental to agricultural development. It is significant that, in spite of the important recent investments both in agriculture and industry, and in spite of an increase in the nominal national income from 8-9,000 million crowns in 1939 to 15-16,000 million crowns in 1942, this national income, if expressed in terms of real value, would be found to have decreased.

Shorter Notice

"The Trial of Mussolini." By "Cassius." Gollancz. 2s. 6d.

Bodily, Mussolini has, for the time being, been saved by Hitler; but this has not saved him from the spiritual rigours of an imaginary trial convened by a forceful and pseudonymous British clerk. The moral indictment of the Duce himself is easy. The difficult and complex characters in the trial are the men who appear in the imaginary witness-box, which for them changes almost into a dock as the proceedings reveal the full extent of connivance on which the Duce could count at the various stages of his criminal career. The men are the leading politicians and statesmen of British conservatism. They are made to make their statements about Mussolini and Fascism in words which they really used. The procedure is embarrassing but perhaps not unfair. But the list of witnesses-cum-defendants is quite certainly incomplete and one-sided; with the British Conservative Ministers, the convener of the trial might have brought into the witness-box, say, the Soviet Ambassador to Italy, who ostentatiously entertained Mussolini only a few days after the assassination of Matteotti. The coterie of "guilty men" is far less exclusive than the Carlton Club. This procedure would have put the problem of guilt in the right perspective, and replaced excessive hounding of guilty men by frank criticism of the guilty system. The closing speech of the judge does include that criticism as well as a brilliant plea for "morality in international affairs."

Books Received

Oil and Petroleum Year Book, 1943. Compiled by Walter E. Skinner. (London) Walter E. Skinner, 20 Copthall Avenue, E.C.2. 178 pages. 12s. 6d. net.

The Wiltshire Woollen Industry in the Sixteenth and Seventeenth Centuries. By G. D. Ramsay. (London) H. Milford. 149 pages. 10s. net.

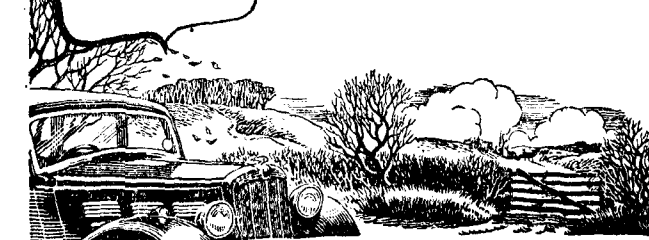
The Rise of the Electrical Industry During the Nineteenth Century. By M. MacLaren. (London) H. Milford. 225 pages. 25s. net.

NUFFIELD

a name you can trust

ONE buys a car on trust. But when it not only gives you what you hoped for but rather more than you expected, you can't help having confidence in it. That's what people mean when they say—"Nuffield — a name you can trust."

MORRIS
WOLSELEY
RILEY
M.G.



An announcement by THE NUFFIELD ORGANIZATION
A CORNERSTONE OF BRITAIN'S INDUSTRIAL STRUCTURE

Russia at War

Before the Conference

UNTIL lately the Soviet press kept complete silence about the approaching Three Power Conference in Moscow, though *War and the Working Classes*, the periodical famous for its polemical comments on foreign affairs, discussed at great length a number of issues directly or indirectly connected with the Conference. On October 13th, *Pravda* broke the silence and made it clear that, in the Soviet view, military and not political questions should occupy the Conference agenda.

Pravda's warning is in some contradiction to the barrage of purely political statements which have recently been made in Soviet newspapers, suggesting that the raising of political issues need not necessarily impede the United Nations' war effort.

The most specific comment has concerned the rôle and functions of the Algiers Committee, to which M. Vyshinsky has been appointed as Soviet delegate. It is stressed that the term "Mediterranean Commission," used in Britain, restricts the scope of the new body in a way which hardly corresponds with the Soviet view. Russian commentators prefer to speak of the "Military Political Commission" without adding any geographical qualifications. The Commission

will concentrate all its activities on further strengthening the collaboration between the belligerent Allied countries and all States struggling against Hitler Germany and its satellites, both in the period of the war and in the post-war period.

The Commission, it has been further stated, must be invested with very wide powers. *War and the Working Classes* leaves no doubt that in Moscow this is regarded as the *sine qua non*; and that Russia would object to any reduction of the status of the Commission to that of an advisory body. The paper goes on to say that both Soviet and British official statements have defined the "jurisdiction of the Commission" in a more or less identical way; the tendency to consider the Commission merely as an advisory body is, by implication, attributed by these Soviet commentators to the American State Department.

The Revolutionary Bogey

The tenor of these comments can be best described as showing eagerness to achieve the closest possible collaboration with the Allies, mixed with irritation at the obstacles which Russia is alleged to encounter. Now and then this mood finds the most unexpected and striking expression. A highly original article in *War and the Working Classes*, for instance, has reproached some Allied quarters with provoking social upheavals and revolutions in Europe. This argument was elaborated with great emphasis in a criticism of Mr Harry Hopkins' statement that victory over Germany and Japan will be won in 1945. The Russian critic states frankly why Russia cannot accept the prospect of a protracted war—because of the devastation of Russia's richest areas and the fact "that every day of war means the loss of many Soviet lives." He goes on to describe the risks incurred by the other Allies as well in case of an unduly protracted war, the risk of revolutionary processes which the Governments will not be able to control. War brings in its wake upheavals in defeated countries such as the collapse of Tsardom and of the Central European monarchies in 1917-18. The first World War was followed by social convulsions even in the victorious countries; more violent and eruptive convulsions threaten if this war lasts much longer.

The argument is, of course, put forward in support of the demand for a Second Front. Even so, its novelty in the columns of the Soviet press of all places, and its deeper significance, can hardly be missed. It would perhaps be paradoxical to say that the "Bolshevik bogey" has now been raised simultaneously in both Berlin and Moscow. But the argument is meant in all seriousness to convey a warning to the British and American circles whose political outlook is, in the Russian view, dominated largely by the "fear of revolution." Russia, the warning implies, may well be able to act as a force of law and order in Europe

if the war is brought to an early conclusion; she may have to wash her hands, however, if, by unduly prolonging the war, the Allies themselves let loose the revolution.

That this warning should have been uttered almost on the eve of the Moscow Conference is hardly a matter of chance. Russian diplomacy is most anxious to clear the ground of any ideological prejudices that may still be lingering; and to state its views and claims at the conference table in terms of a national policy which is based on Russian interests only. But at the same time, as the *Pravda* article shows, the issue of the Second Front continues to dominate the Soviet approach to all matters of foreign policy.

If the discussion in the Russian press can provide any clue to Russian policy, it may be claimed that the Soviet attitude has crystallised in a number of points. Russia seems to be ready to assume co-responsibility for Amgot, though not without reservations. What may be demanded is a partial revision of the principles on which Amgot has so far acted. The Amgot ban on political activities in the liberated areas was strongly criticised in Russia some time ago; recently, however, the criticisms have been quietened. M. Vyshinsky's task, it has been hinted, is to see that such happenings as the escape of Mussolini do not occur in the future. The Free German Committee has, so far, not been given any status suggesting that it is regarded by the Russians as a body equivalent to Amgot. The activities of the Committee have not transgressed the limits of propagandist expediency. Its appeals to the German people have carefully avoided any socially radical slogans; they have been addressed to the German officers' corps rather than to the rank and file of the German army; the official flags of the Free Germans in Moscow are, significantly enough, the old Imperial and not the Republican flags. And the propaganda of the Free Germans has been strikingly contradicted by the quasi-Vansittart utterances of many leading Russian personalities.

Pan-Slavism

The one trend which seems to be quite definitely crystallised is Pan-Slavism. This trend is reflected in the contrast between Russo-Czech and Russo-Polish relations, as well as in continuing Russian hostility towards any schemes of an eastern-central European federation. The victories in the Ukraine have served as the opportunity for a curious anti-Polish demonstration, connected with the institution in the Red Army of a new high order ranking next to the Orders of Suvorov and Kutuzov. The new order has been named after Bogdan Khmyelnitsky, the Polish nobleman, who three hundred years ago led the Ukrainian Cossacks in revolt against Polish rule, and brought about the union of the Ukraine and Russia. In the peculiar east-European atmosphere, in which historic symbols and reminiscences weigh heavily on practical politics, the institution of the Order of Khmyelnitsky possesses the eloquence of a highly political act. It signifies a further stiffening of the Russian attitude in the frontier feud with the Poles, as well as an appeal to a very strong Ukrainian tradition. The i's have been further dotted by the *Pravda* statement that—

everyone ought to know that the borders of the Soviet Union can no more be a question of discussion than can the frontiers of the United States or the status of California.

In the old Tsarist days the Pan-Slavist policy was mainly directed against the Habsburg monarchy. The Czechs were chief adherents of Pan-Slavism among the western Slavs, while the Poles—oppressed by Tsardom—were its principal opponents. Here, too, the traditional pattern reasserts itself now. Schemes for eastern and central European federations are regarded in Moscow merely as a new version of the Habsburg monarchy, with its centre of gravity in Warsaw instead of Vienna. And again in harmony with tradition, the Russian sympathy for the Czechs has now been strongly voiced in the comments of the Russian press on the postponement of President Benes' visit to Moscow ("because of objections raised by the British Government"). The old shadow of Pan-Slavism will fall on the agenda of the Three Power Conference as it used to fall on the agenda of so many diplomatic gatherings in the course of the nineteenth century.

THE BUSINESS WORLD

World Capital Bank

TO the blue-prints for international clearing and exchange stabilisation has been added the draft for a United Nations Bank for reconstruction and development. This was published in Washington last week-end—not without the prompting of the usual unauthorised leakages in the London press—and is the work of United States Treasury experts headed again by Mr Harry D. White. It was known that the ideas of certain British Treasury experts had been moving in the same direction, and the first reaction has been one of relief that, on this occasion, the two camps have avoided the mistake of rushing in with separate versions. This should safeguard discussions of this particular aspect of post-war financial reconstruction from the barren and needless recriminations that have handicapped efforts to reconcile the Keynes and White currency schemes. The Keynes scheme clearly envisaged the setting up of some institution for providing medium and long-term capital assistance to countries whose economic position needed such help from other nations. The Clearing Union proposals were regarded as one leg of a financial reconstruction tripod, the others being a Board for International Investment, with which the Union would be linked, and an international commodity control to keep prices steady and maintain buffer stocks and "ever normal granaries." The British delegation to the Hot Springs Conference elaborated the first draft of a commodity stabilisation scheme.

The United Nations Bank scheme closely follows the pattern of the US Treasury's Stabilisation Fund scheme. It is essentially a lawyer's draft, going into minute details of capitalisation, management, voting rights, permissible business, conditions of membership and the like. This concern with detail does not, however, obscure the vision of fundamental economic needs which the bank is expected to satisfy. The motif running through the draft plan and its explanatory memorandum is that the bank is not intended to displace private capital; it will only intervene in schemes that lie outside the scope of private investment or where such investment would only be made at prohibitive cost. Wherever possible, the bank would collaborate with private investment and guarantee private loans in preference to granting direct facilities.

The objectives of the bank are to provide capital for the economic reconstruction of member countries; to strengthen their monetary and credit structures by redistributing the world gold supply; to help in the task of stabilising prices of essential raw materials; to eliminate the danger of world-wide crises of financial origin; and "to raise the productivity and hence the standard of living of the peoples of the member countries." Membership is to be opened to countries which participate in the Stabilisation Fund scheme and are at peace with other member countries. The bank is to have a capital of \$10,000 million subscribed by member countries according to an appropriate formula. An initial payment of 20 per cent of its quota is to be made by each member, partly in gold and partly in its local currency. The proportion to be paid in gold will be fixed in accordance with a schedule which takes into account the adequacy of the gold holdings of each member country, but will in no case exceed 20 per cent of the amount payable. Further calls on the issued capital may be made as and when the bank requires additional funds for its operations, but in no case will more than 20 per cent of the capital be called up in any one year. It is provided that the local currencies, acquired by the bank through the capital subscriptions of member countries, must be repurchased by these countries against payment in gold at the rate of 2 per cent per annum.

The business of the bank will be conducted exclusively with Governments or their agencies. In passing judgment on applications to guarantee, participate in, or make, a loan the bank is to consider, not merely the soundness of the investment project which the loan is intended to finance, but also the budgetary position of the Government con-

cerned and the prospective balance of payments of the borrowing country. The bank may guarantee loans made with private capital to any member Government, and through that Government to any of its political subdivisions and to business enterprises in the member country. All loans that the bank guarantees or makes must fulfil the following conditions: payment of interest and principal must be fully guaranteed by the Government of the borrowing member country; the project must have been investigated by a competent committee; the terms of the loan must be reasonable; on guaranteed loans, the bank must be compensated for the risk it assumes. It is stipulated that the bank will impose no conditions on the country in which the proceeds of its loans are to be spent. No loan may be made in the currency of any country without its approval.

This, in very brief summary, is the draft proposal put forward by the US Treasury as a basis for discussion with technical experts of other countries. The first query which this plan raises is whether the admirable objectives which the bank is designed to serve can best be achieved by erecting this elaborate piece of mechanism, or whether better results might not be achieved by starting more modestly and perhaps more realistically with certain specific loan operations—to China, for example—and by building up the structure of the new organisation from the experience thus gained. The contrast between this kind of doubt and the less sceptical approach of American experts was

NEWS of WHITE HORSE

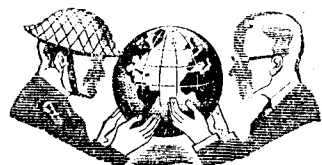
Supplies of White Horse were growing old when this war was young

If you have wondered how it is that you can still get White Horse Whisky from time to time, and how it is that the quality and flavour of this famous whisky were never better than to-day in this fifth year of the war, here is the answer in one word . . . age.

All the flavour, fullness and smoothness of the White Horse you have known in the past is in the White Horse you may buy to-day. For to-day's White Horse is itself a whisky of the past. In the early days of the war it was already growing old. It has been ageing ever since.

It was the stocks of maturing whisky, laid down in years gone by with a prudent eye on the future, which provided the great blend that is White Horse to-day. And our unrelaxing, provident care of the whisky still maturing is your assurance that this famous Scotch will remain as always — whisky fine as a fine liqueur.

FIGHTING AND THINKING



"Fighting now is winning the war
Thinking now can win the peace.

To-day millions of Service men are fighting for 'a better world to live in'. Other millions of individuals are performing miracles of production through the united efforts of management and wage-earners—all of one mind—for 'an unconditional surrender'.

To-morrow these millions will be permanently employed in peacetime pursuits provided they—all of one mind—dictate sound peace terms calling for sustained prosperity.

If the world is to prosper, there must be the same cohesion among the United Nations during the transition period and thereafter as now exists during the world-wide conflict. Internal stability here and in other nations can be gained and maintained only by sustained industrial production and by economic interdependence.

The people of this country, in common with the people of other lands, will prosper materially and spiritually when this war is ended but only if insistence, world-wide in scope, is now voiced for a JUST AND DURABLE PEACE."

★ ★ ★

The above statement has been issued by the International Nickel Company of Canada and is widely published in Canada and the U.S.A.

We reproduce the statement here because we believe that all engaged in industry in Britain will approve its principles and desire to collaborate with all the United Nations in formulating plans for "a just and durable peace."

Published by

THE MOND NICKEL COMPANY LTD
Grosvenor House Park Lane London W1

illustrated in the respective character of the Keynes and White currency plans; it is the contrast between the instinctive attitude to such issues of a country with a written constitution and of one where the constitution has just grown up. But though there are differences about ways and means, however important they may be, they cannot do away with the fact that the broad objectives of the British and American experts concerned with this problem are identical. It is recognised in both Treasuries that if a reasonably effective job is to be made of the task of economic reconstruction at the end of this war, a great deal of capital will have to be made available from one group of countries to another. And it will have to be provided in circumstances in which the normal mechanism of private investment will be quite incapable of facing the task involved.

In the immediate post-war period the provision of capital—that is, of new machine tools, of herds of cattle, of seeds, of the bare minimum of raw materials required to restore the economic life of devastated countries to even the most modest rhythm—will have to be part and parcel of a vast relief programme; it will be an extension of mutual aid. Thereafter private foreign investment may start to get into its stride again, particularly in the United States; but after the shocks of defaults, currency depreciations and exchange controls during the last few years, private investment cannot be expected to provide all the facilities for which world rehabilitation will call. Official intervention in one form or another is inevitable and essential, especially as in most countries the exchange position will demand a continuance of control over international capital movements after the war. International capital movements or, in their real terms, the international trade in capital goods, will have to get under way again as a necessary preliminary to the successful operation of any exchange stabilisation and clearing scheme. The rehabilitation of poor and impoverished countries will in any case demand the provision of capital on much cheaper terms than those which could reasonably be demanded of private capital, given the risk involved by such investment.

The problem is to bring home to the people of capital-granting countries—which, in large measure, means the United States—that to make loans on these terms will probably return far greater dividends than the modest interest rates charged. It is a political as much as a financial problem that has to be tackled, and it is when viewing the bank scheme from this angle that one may doubt whether the US experts have chosen the best way of presenting the case to their public. The effect of this ambitious and grandiose design may be to frighten American opinion, which in these matters is all too readily convinced that their country is being made the world's milch cow. Despite the ambition of the design, the US Treasury proposals are, in fact, severely limited in their scope. These limitations are set by the fact that the bank would merely supplement private investment. It is no part of a comprehensive world investment plan. The political framework into which such a plan could be fitted has not yet been designed. Nor is the world capital bank to be regarded as the instrument for setting in motion the movements of funds required to restore equilibrium in balances of payments. That must be the function of the Clearing Union or Stabilisation Fund, in whose proposed organisations are to be found means for corrective action which would be wholly lacking to the capital bank. In itself the bank plan is neutral; it will have no positive investment policy, no plan for repayments (a crucial point when the automatically favourable nineteenth-century situation of rising populations and rising demand in creditor countries for debtors' products no longer exists). It is one piece of a machine; and judgment must wait until the whole machine has been set up and its uses defined.

Meanwhile, the sense of urgency with which world investment projects should be viewed is being heightened by the dramatic progress of the war. Before many months have gone, the Allied Powers may have to tackle, not simply a blue print of a world capital bank, but the specific tasks of rehabilitating countries like Poland, Greece and Czechoslovakia—countries whose capital equipment has been largely destroyed, whose currencies and banking systems will be virtually bankrupt. If the experts are still debating the voting powers of a new world bank when that stark situation stares them in the face, and if the particular approach chosen to this problem proves to have impeded the making of the plans that will then be needed on the spot, it will be little short of disastrous. Even the best of intentions are not enough when great emergencies press.

Business Notes

Gold and Capital Bank Plan

Although the US Treasury proposals for the establishment of a world capital bank are not directly concerned with questions of currency—which are the province of the Stabilisation Fund scheme—there are many points where the scheme touches on this problem and, in particular, on the position of gold. In the first place, the claims of gold in the post-war currency world are strengthened by the provisions which require part of the capital subscriptions to be made in gold, and for the whole of the capital to be ultimately contributed in that metal. Even more important is the specific mention in an explanatory memorandum to the plan of loans made at exceptionally low rates of interest—1 per cent is mentioned—to finance the redistribution of the world's monetary gold reserves. Such loans are justified on the ground that they would promote monetary stability in the borrowing and gold-importing country, and that they would, thus, indirectly promote the flow of private capital. The memorandum considers the position of gold as a monetary standard and defends the metal against the claims which have been made for a new international monetary unit. In particular, it contests the view that gold is too expensive a standard to use.

It may be possible to develop a satisfactory international medium of exchange that costs less to produce than more gold, but certainly not significantly less than gold already in monetary stock.

The memorandum, thus, makes a significant distinction between gold already in existence and gold yet to be mined. The first has already been paid for and is inexpensive to use, since even the cost of its shipment from one country to another can be avoided by ear-marking. But, argues the US Treasury memorandum,

the situation is quite different with respect to further additions to the gold stock—and more complex. Obviously there is a real cost as well as monetary cost involved in mining and refining gold. In so far as the gold would not be produced had it only commodity value, and in so far as the labour and material used in gold mining would be used for some other purpose, it is true that additions to our monetary gold stock are expensive. The solution to that, however, is simple—namely just limit or control the additions of newly mined gold to the world's monetary stock. This is not the place to discuss the method; suffice it to say it is entirely feasible should it ever be deemed desirable.

The gold producing interests have hitherto been content to regard the prospects for their metal as being safe in the fact that, while the United States holds the bulk of the world's stock, the British Empire produces by far the greater part of the world's output. The line taken by Mr Harry White's memorandum suggests that these two gold partners may not present so unbroken a front as had been assumed.

Brown on Housing

The address to the National Housing and Town Planning Conference last Sunday, given by Mr Ernest Brown, Minister of Health, was in the nature of a progress report on the Government's policy for the alleviation of housing shortages. More than 2,500,000 houses damaged during air raids had been given first-aid repairs and of these more than one million had had extended repairs. He informed his audience that a Cabinet Committee had approved a scheme whereby available labour and materials are to be concentrated on essential housing work; the decision about the work to be carried out and about priorities will rest with the local authorities. Mr Brown did not comment on the extent to which local housing shortages have been alleviated by the better distribution of available accommodation. Last August local authorities were given power to requisition houses, either furnished or unfurnished, "for the purpose of improving the conditions of families at present inadequately housed." The concentration of available building resources on housing work is a step forward, for, in addition to their requisitioning powers, local authorities will now have the means for repairing, converting and adapting existing houses, for completing half-finished houses and, if necessary, for building new ones. Shortages are still acute; they can only be overcome by making better use of and by

increasing the supply of available accommodation. The billeting of transferred war workers with families is a different but not a bit less important problem. War production depends entirely on the ability to recruit, move, house and keep the workers needed to maintain the staffs of local factories week by week, despite all wastages. The Government has relied mainly on voluntary billeting; in some cases compulsion has been adopted, but the efficacy of the measures taken, not unnaturally, varies from district to district. Mr Brown said that during the past few months local authorities had drawn up preliminary programmes for the construction of new houses which could be carried out quickly when the resources become available; so far these programmes comprise a total of 150,000 houses. In his view, it should be possible to build the three to four million houses needed to give every family a separate house during the first 10 or 12 years of peace, but if the programme is not to be jeopardised, costs must be reduced. Mr Brown was right in drawing attention to costs; a large proportion of the war-time rise in costs is due to special circumstances, and there is no technical reason, despite the pessimism of very many experts and the extraordinary revelations that have been made about the low speed of wartime bricklaying, why productivity in building could not be increased after the war.

★ ★ ★

Post-War Shipping

Rear-Admiral Vickery, of the United States Maritime Commission, and other American spokesmen have recently stated in forthright terms that America means to have a large merchant shipping fleet after the war. Estimates of the size of merchant fleet America should aim to maintain after the war vary. The yardstick frequently mentioned is the tonnage needed to carry half of America's sea-borne trade. On the basis of pre-war trade, this would mean an increase of about two-fifths over America's 1939 tonnage of 9,000,000 gross tons, which was then equivalent to about half the British pre-war tonnage. It is a matter entirely for Americans to decide whether the United States is to "become a maritime nation and to stay one"; if it involves an out-of-pocket cost, it will be they who will have to pay it. The British Government and the British shipping industry are not only willing, but anxious, to collaborate with the United States in a policy that would ensure equal opportunity for all. One aspect of shipping on which a new international agreement is desirable is the conditions in which merchant seamen have to perform their job. It has been said that one reason why America has been unable to recover her nineteenth-century position as a maritime nation is that American shipowners are required by law to provide better conditions than Great Britain. It is, of course, quite true, as *The Economist* has pointed out in the past, that

The
**BRITISH
MUTUAL
BANKING
COMPANY
LIMITED**

Founded 1857

Customers in all parts of
the country appreciate
the close relationship
fostered by the Bank

LUDGATE CIRCUS, LONDON, E.C.4

Britain has lagged behind the best practice, and, especially, behind Scandinavian practice. Steps were being taken before the war to improve these conditions and to eliminate the "coffin ships"; one of the difficulties was that old ships could not be sufficiently improved. After this war there will be comparatively few of the old ships left, and it should be possible to introduce substantial improvements and a measure of uniformity. It should not be too difficult to conclude an international agreement on adequate minimum standards for all shipowning countries. But the provision of amenities for seamen is only one item in the cost of operating a ship. There are wages and salaries, which are related to the different level of earnings in different countries. And there is the cost of stores and the capital cost of the vessel, all of which are bound to vary. Last, but not least, there are differences in efficiency, which vary from owner to owner, as well as from country to country. It is comparative efficiency, in fact, not challenging speeches, that will decide how large a mercantile marine each nation can keep without crippling charges upon its exchequer. British owners have stated frequently that they are not afraid of competition, provided there is no discrimination against them. A race in subsidies after the war would be as regrettable—and as costly—in shipping as in civil aviation or any other industry; and the heaviest cost would fall upon the least efficient shipping nation.

Air Transport and Shipowners

A statement issued by the General Council of British Shipping towards the end of last week makes it clear that the shipping industry is considering preliminary plans for using its powers to enter the field of air transport after the war, provided that conditions permit of such a course. The conditions in view are, presumably, the amount of subsidy granted to any competitor. The statement shows that general policy will be the concern of the Council, which will confer with the Government about the conditions in which the participation of the shipping industry would be feasible. So far the discussions can scarcely be said to have begun, but the authorities appear to have undertaken not to reach any final decision about the future of air transport without giving the shipping concerns an opportunity to state their case. This somewhat strengthens the presumption that some place may in fact be found for them, but there are no indications, as yet, what that place will be. Pending any further development on that side the Council has

made arrangements for those who desire immediately to take part in air transport to work out their proposals through the appropriate organisations in each category. The Council will remain charged with the duty of submitting to the Government the proposals formulated by the different groups, or sections, of the industry concerned, and pressing for the right of shipowners, as a whole, to participate in the development of air transport.

That presents a clear picture of the position as it is to date. It is, perhaps, reasonable to assume that the "appropriate organisations" are the various shipping conferences, or similar bodies if these are not already in existence. While there is nothing in the actual statement of the Council to indicate the scope of the proposed activities of the shipping companies, the fact that the conference is

commonly regarded as the proper body to deal with the problem suggests that the air services in view would cover areas comparable in extent to those with which the conferences have dealt in the past, that is to say, a very extended network of routes. But it is possible that, in some cases, other organisations with a less extensive scope are what the Council has in mind.

On Nationalisation of Transport

In his inaugural lecture as president of the Institute of Transport, Sir William Wood, president of the LMS Railway, took objection to the views of those who hold, without the necessary analysis of the facts, that the nationalisation of transport would automatically ensure the most efficient service.

I should have thought that before there was agreement among politicians there would have been reasoned consideration in a practical way of the merits or demerits of the existing transport facilities from the point of view of the public using them. Surely the proper course is to consider the merits of what has been provided by private enterprise, to inquire whether it has fallen short of public needs and, if so, in what ways, and then whether the responsibility rests with its owners or with Parliament.

Sir William's objection is sound and the procedure he suggests is logical. There is nothing to be said for nationalisation for the sake of nationalisation; there is everything to be said for private enterprise where it is most appropriate, and for public enterprise where it provides the most efficient service to the consumer. But when Sir William adds that he cannot see present transport standards being maintained under state ownership, he expresses a personal opinion which the layman can neither confirm nor deny. In view of the controversy about the future of inland transport, the time has surely come for a thorough examination of the facts by an independent committee which can give full weight to the argument of the providers and consumers of transport, and of the technical experts.

Underwriting and Stagging

In view of the complete suspension of new issues by the normal peacetime process of advertisement, it is not surprising that little has been said of the need for revision of the law on points arising out of pre-war practice. There are, however, points on which action is necessary. Apart from additional requirements about the information to be included in a prospectus or offer for sale, these fall under two heads; provisions as to underwriters and regulations affecting subscribers. Contrary to what appears to be the legal attitude towards underwriting, financial quarters regard it as, essentially, an insurance against incalculable risks arising from matters over which the concern raising the money and the issuing house have no control. It is generally accepted that every issue should be underwritten, but it is equally accepted that all underwriters must be capable of fulfilling their contract. As the law stands at present, there is no obligation on the principal underwriters to accept responsibility for those to whom they sub-let part of their contract. The spreading of the risk is essential, but the existing law makes for irresponsibility on the part of the main underwriter in the choice of sub-underwriters, and so tends to vitiate the whole object of the underwriting contract. The law ought, therefore, to be amended so that, in the event of default by sub-underwriters, the principal underwriters remain liable. The second point concerns mainly stagging, and the insurance that, so far as may be, all investors have a reasonable chance to lodge applications. There can be no doubt that the whole business of issue is made vastly more complicated by the practice of subscribers putting in a large number of applications in different names, and by the practice of entering applications with the fullest intention of withdrawing them if the issue does not seem to be going well, or if there is any adverse development, that is to say by stagging. A number of brokers refuse to allow their clients to withdraw applications, but the practice is still general. The law should insist that all applications should be irrevocable. This would not only get over the stagging difficulty, it would also greatly reduce the number of applications lodged by any one applicant, since to apply for more than it was intended to take would be very dangerous if the application could not be revoked.

Progress at Montreal

A number of despatches from Canada suggest that considerable progress is, at last, being made towards the resolution of the differences between the Executive Committee of the City of Montreal and the bondholders on both sides of the Atlantic. Two points emerge from these statements, both of which are encouraging. First, it now seems probable that different action will be adopted for the British loans from that advocated for the numerous Canadian and American issues. Insofar as the latter were sold in small parcels and enjoy scarcely any market, a measure consolidating them into a marketable security would be of real advantage to the holders. No such considerations apply to the British issues. Further, it is far from certain that the terms of the issues on the other side were so carefully thought out to provide full protection as were those which had to pass the scrutiny of the London new issue market. Even more important for the British bondholder is the second point. It is now suggested that Messrs J. O. Asselin, chairman of the executive committee, and G. C. Marler, vice-chairman, have agreed on a scheme which closely resembles the plan of the London Committee. As these two gentlemen have been advocating divergent plans ever since their return to Canada over a year ago, this is good news indeed. If, as is reported, the principal difference between their new suggestions and those of the London Committee is that the Montreal officials both reject the proposal for control of the executive by bondholders' representatives during a period of rehabilitation, it is very probable that their alternative will meet with acceptance here. The London Committee was, it is believed, not unanimous on this point. Sound finance is the one certain guarantee for the future value of the bonds and the peace of the bondholder. But, whether sound finance can be imposed on a committee which does not believe firmly in it—and which is in any case subjected to divergent political forces—is more than doubtful. Certainly it is very difficult to believe that pressure could for long be successfully exerted by representatives of overseas bondholders. The best hope is that Canadian provincial and municipal finance will be improved, and that, after this unfortunate experience, Montreal may take a lead. The real alternative is a surrender of sovereignty in this matter to the Dominion Government, as happened through the Loan Council for the Australian states.

£1,000 Million of TDRs

The clearing bank statements for September, which appear on pages 536 and 538, are chiefly notable for their revelation of the increase in the banks' Treasury deposit receipt holding. This item has risen by £88 million and thus crosses the £1,000 million for the first time. The latest total for this item is £1,044,500,000, at which level it is beginning to challenge investments for first place in the ranking of bank assets. Investments last month fell by £2,320,000 to £1,160,104,000. This item has been comparatively stable for the past three months and will, presumably, maintain that stability until disturbed early in 1944 by the next national savings campaign. If it is assumed that TDRs continue to expand over the next three months at the rate maintained over the corresponding period of last year, they should exceed the total of investments by the end of the year. Bills discounted have fallen by £12,814,000 over the month and at their latest total, £208,739,000, are £67,765,000 below the level at which they stood a year previously. This comparison underlines the need for the expansion in the weekly tender for Treasury bills which has just begun. Money at call and short notice has fallen by £7,686,000 compared with August, but, at £148,064,000, is still £21,305,000 above the level of September, 1942. On this evidence, the banks are financing a larger holding of bills held by the discount market, while allowing their own bill portfolio to fall. The additional facilities given to the discount market are in part a corollary of the increase in the aggregate capital of the market over the past two months, but in addition to this explanation there seems to be a conscious policy on the part of the banks to keep a larger part of their "quick" assets in short loans at the expense of their bill portfolio. Advances, at £733,294,000, show an increase of £1,714,000 on the month—too small a movement to suggest that the long term fall in this item has yet been halted. The net effect of these changes in assets has been to raise deposits by £67,028,000 to £3,737,036,000, a new high record in British banking history.

Anglo-Italian Payments

A Treasury Order has been issued, cancelling previous instructions regulating payments from this country to Italy. Before the war a payments agreement had been negotiated between the two countries. This set up an Anglo-Italian clearing office through which, by virtue of a Treasury Order, all payments from the United Kingdom for imports from Italy were compulsorily canalised. When war broke out between Italy and the United Kingdom all payments between the two countries ceased, but debts from this country left outstanding on the outbreak of war still had to be settled through the clearing office. The only difference made by the war was that the clearing office, instead of holding sterling paid into it for account of the Italian creditors, began to hold it for account of the custodian for enemy property. Now that the possibility of trade between Britain and Italy has been restored, it has been thought desirable to make a complete break with the previous payments system. The recent Treasury Order, thus, stipulates that payment for goods imported after October 8, 1943, is not to be made through the Anglo-Italian clearing. For the time being such trade will be handled exclusively by the military authorities, or by a Government department, and a special method of payment is being arranged. The clearing office remains the channel through which debts arising before October 8th must be settled.

Bombay Bullion Prices

The rise in Bombay gold and silver prices has again assumed spectacular proportions this week. On Thursday the quotation for gold was Rs. 82/14 per tola and for silver Rs. 127/15 per 100 tolas, as compared with prices of Rs. 78 and Rs. 124/14 respectively a week previously. The recovery in bullion prices has been making steady headway from the lowest points touched towards the end of August, when the market was at its weakest, following the ban on forward and option dealings and on loans secured by bullion. These restrictions on the market caused a substantial amount of selling, representing the liquidation of outstanding bull positions. This selling was,

Voice of the North



ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

3% SAVINGS BONDS

1960-1970

INTEREST PAID HALF-YEARLY
INTEREST IS SUBJECT TO INCOME TAX, BUT TAX IS NOT DEDUCTED AT THE SOURCE

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

however, gradually absorbed, and the subsequent recovery gains in significance from the fact that it has been built up on the basis of genuine cash buying. This fact should be borne in mind when comparing the highest prices touched this week with the all-time records created last May. In that month silver touched Rs. 138/3, but this price was underpinned by a considerable speculative position. The appreciable recovery in bullion prices from the lowest points reached after the Government's anti-speculation campaign emphasises once again how impossible it is to subdue and suppress the symptoms of monetary inflation by forbidding speculation and other similar devices. The persistent rise in the price of gold also suggests that the official sales of the metal designed to mop up redundant purchasing power can as yet have attained only modest proportions.

Disposal of Surpluses

One of the errors of 25 years ago that should be avoided after this war is to allow speculators to take a hand in the disposal of surplus materials and machinery. Such stocks, if they have to be liquidated, should be liquidated by an orderly process over a period, and not "thrown on to the market." There are indications that the Government is fully alive to this problem, and is making the necessary arrangements. For example, the Board of Trade recently agreed to the formation by wholesale textile distributors of a company for the purpose of acquiring from Government departments, and distributing, new textiles and clothing which may become surplus to their needs. This company, the Surplus Textiles Corporation, Ltd., will have the task of ensuring that surpluses are equitably allocated to firms which normally trade in the type of goods concerned, and that they are distributed as widely as possible among retailers. So long as the materials available for disposal by the Government are scarce, the need is for their equitable distribution at reasonable prices. But there may be other materials, such as machinery, whose disposal may have to be spread over a long period after the war, if it is not to dislocate the industries that are producing them. Clearly, the method of disposal of the different types of surpluses must be that which is most appropriate to each.

Diamonds Once More

The past few days have witnessed a sudden transfer from some of the more speculative Orange Free State mining ventures into diamond shares. No explanation of profit taking in the former is necessary, but the position with regard to diamond shares appears to be complex. Informed opinion favours the view that diamond shares will benefit from the continuance of the war, both because it reduces the outlets for luxury expenditure and because it keeps up the demand for industrial diamonds. It is typical of the market outlook that Russia's successes are ignored and the hold-up of the British and American forces

in Italy is regarded as a bull point for diamonds. Further, the present rally is associated with talk of final payments, which are likely to be large. A final point is the fact that there is an exceptionally heavy demand for gem stones at the present time. If this is due, as is asserted, to the report that the USA is to put a 30 per cent luxury tax on jewellery, that would explain a rush for diamonds, but it is surely only in the shortest possible run that it is a stimulus to the demand. A rise of 30 per cent in cost to the final buyer will tend to reduce demand. So it may suggest a cut in supply as an alternative to a lower net. There would appear, however, every reason why such a tax should be imposed, for it is clearly desirable to reduce such outlets and to make those who indulge in such expenditure contribute to the finance of the war. In the case of diamonds, it appears that there may be a definite, further reason for imposing such a tax. At present it is certain that the trend of demand for gem stones is upward. It is also the case that America has complained of shortage of industrial diamonds. America has been importing uncut gem stones. If these are, in fact, cut and used for jewellery, America might attempt to switch some of its own diamond cutters from gem to industrial work, on the assumption that this type of skill is not so highly specific as to make such transfers useless. If this were done the supply of gem stones might decline.

"Settling-in" Grants

On October 11th, the Ministry of Labour introduced a new scheme of "settling-in" grants for women and girls who have been transferred to industrial work beyond daily travelling distance of their homes. During the first week in the new area, the grant will amount to 25s.; during the second week, 20s.; during the third week, 15s.; and during the fourth week, 10s. Previously, a transferred worker had received 10s. on her arrival and 14s. 6d. at the end of the first week, so that the new scheme means an addition of 45s. 6d., spread over four weeks. The increase should be of material assistance in easing the problems involved in removal from one area to another and in adjustment to new surroundings. The changes in the production programme are entailing the transference of mobile labour to an increasing extent, and the Ministry's scheme is, therefore, very much to be welcomed. It does not, of course, do anything to compensate the worker for any financial loss which might be incurred as the result of change of employment. In practice, this is working the other way. Labour is being transferred to higher paid work in aircraft production, so that complaints on this score are not likely to arise.

Developing South America

The suggestion of the Petroleum Press Service, in its monthly bulletin, that after the war South American Governments will indulge in an aggressive drive to secure foreign capital for the development of oil resources, is a matter which should interest all investors. There are few parts of the world in which British investments have, over an extended period, suffered so heavy a fall in value as in the South American republics, and it is commonly agreed that a part of this decline in value is due to unwillingness of the borrower to give a fair deal to foreign capital. While the opening up of new enterprises with foreign capital and the lending of money to South American authorities cannot be made dependent upon such treatment as will render old enterprises profitable, it is difficult to imagine a situation in which there is a complete divorce between the attitude of the country seeking finance towards new lenders and towards those whose money is already sunk in development of the country's resources. Apart from the fact that the two sets of investors will overlap, no adviser on investment could ignore past experience, however favourable the new offer might appear. While the bulletin restricted its comments to the development of oil, most South American countries, and notably Brazil, will certainly require large sums for general development, unless their nationals are satisfied to keep down their standard of living and develop their resources solely out of savings on the Russian model. How far they realise the implications of the need for new capital from outside and are prepared to encourage it, will be shown as much by the plans for the treatment of old investors as by the terms which they offer to new. In this connection, some encouragement may be extracted from the recent increase in charges permitted to the Leopoldina Railway. More severe tests will be the outcome of the

(Continued on page 535)

THE SCIENTIFIC PREVENTION OF COLDS



THOUSANDS who used to catch colds easily will again experience a winter free from colds. They are users of SEROCALCIN tablets and each Autumn they take the immunising course which gives complete protection against colds in 8 out of 10 cases.

How it is done

SEROCALCIN acts by stimulating the natural defence powers of the body. It enhances the resistive capacity against invading organisms that cause colds and prevents a cold before it happens.

Simple and Safe

The immunising course consists of 60 SEROCALCIN tablets taken at the rate of two daily for thirty consecutive days. In 80 per cent. of cases this course gives complete immunity against colds for a period of 3 to 4 months. There are no "drugs" in SEROCALCIN—it is perfectly safe both for adults and children.

Proved by Tests

Tests by Doctors in private practice, Hospitals and Factories have established the claims made for SEROCALCIN and confirm its ability to give successful results in 80 per cent. of cases.

Supplies and Prices

Hospitals, Schools, Munition Factories and export trade have first claim on supplies, but most Chemists have adequate stocks. The immunising course of SEROCALCIN (Reg. Trade Mark) costs 8/5½ inc. tax. Industrial and School Medical officers, nurses, welfare workers, Labour Officers and interested members of the public are invited to write for a booklet "Immunity from colds" which will be sent on receipt of 1d. stamp.

SEROCALCIN PREVENTS COLDS

HARWOODS LABORATORIES LTD., Rickmansworth Rd., WATFORD, HERTS.

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

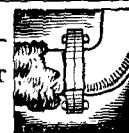


Would

THEY FIND THEM IN YOUR FACTORY?

One of the Ministry's Regional Fuel Efficiency Committees analysed the reports of their visiting engineers to find the most common causes of fuel wastage in industrial steam generation and transmission. From the first 300 reports on inspections of boiler plants and pipework this is what they found:

235 instances of unlagged boilers and unlagged steam supply pipes; of damaged or defective lagging.



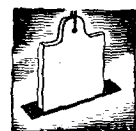
219 instances of steam leakage at pipe joints and valves; some small but many serious.



226 instances of defective brickwork settings, causing air leakage and reduced efficiency.



139 instances of defective dampers; 88 cases of damper controls located away from firing floor.



84 instances of badly-fitting fire doors; and 98 instances of insufficient draught.



199 instances of condensate being wasted; 98 instances of defective economisers.



218 instances of boiler-houses without instruments; 227 instances of non-recording of boiler performance.



RESPONSIBILITY OF MANAGEMENT

May we urge management to make fuel saving their personal responsibility? Are you in close touch with your Regional Fuel Efficiency Committee or your Trade Association's Committee? Have you read the Ministry's Technical Bulletins? Have you arranged for the free inspection of your plant? Have you and your staff attended the Ministry's instructional courses?

The security of the fuel position is in your hands.

The Ministry's Regional Offices are at:—

GLASGOW • NEWCASTLE • MANCHESTER • LEEDS • BIRMINGHAM
NOTTINGHAM • CAMBRIDGE • CARDIFF • BRISTOL • READING • LONDON

ISSUED BY THE MINISTRY OF FUEL AND POWER

LLOYDS BANK LIMITED



For every class
of
Banking Business

Head Office: 71 Lombard Street, London, E.C. 3

COMPANY MEETINGS

ASPRO, LIMITED

INCREASING DEMANDS

The eighth ordinary general meeting of Aspro, Limited, was held, on the 12th instant, in London, Mr H. F. Middleton (the chairman) presiding.

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

Shortly before the close of the year under review your company suffered a grievous loss by the sudden death of its chairman and managing director Mr G. M. Garcia. This loss will be felt, not only by those who were in daily touch with him, but in wide and various circles. Mr Garcia was devoted to the interests of the company and unremittingly bent all his energies and capacities to its development and progress.

The profit on trading for the year under review is £278,701 after provision has been made for the estimated EPT liability. After deducting depreciation, directors' fees and pension fund contribution, amounting in the aggregate to £10,981, there remains a sum of £267,720, which, with the sum of £18,842 brought forward from last year, makes a total available balance of £286,562.

Your directors recommend the transfer of £155,000 to income-tax reserve, £25,000 to general reserve, and a grant of £10,000 to the pension fund. This will leave an available balance to the credit of profit and loss account enabling your directors to recommend the declaration of a final dividend on the Ordinary stock of 15 per cent., less tax, which brings the total distribution for the year up to 25 per cent., less tax.

HIGH REPUTATION OF PRODUCT

In spite of war-time restrictions, you were informed last year that our export trade had been maintained. To-day, factors governing exports are, if anything, more difficult, but I can say that with the limited field available, we have kept our hold on the export trade and strengthened the foundation for post-war development in this direction.

The high reputation of our product has been fully maintained, and, as the figures show, the demand continues to increase notwithstanding the policy of percentage rationing of orders which we have been compelled to adopt. During the year, we formed a subsidiary company, which has acquired, on satisfactory terms, the rights in this country and the other territories in which your company operates (including certain countries now in enemy occupation) to use the special method of packing employed for our products, together with the full complement of machines. This acquisition accounts for the increase under the heading "Investments in Subsidiary Companies" in the balance-sheet.

We have continued our activities in the production of foodstuffs for our staff canteens and in the provision of feeding facilities for a large number of workers in adjacent factories. We are also able to make free supplies, through the local social centre, to the local hospitals and others in need of fresh vegetables.

STAFF'S SOCIAL ACTIVITIES

I am sure you would wish to join me in paying tribute to the social activities conducted by our staff, who continue to provide concerts and amusements to raise funds for the support of many charitable organisations.

During the past year our staff has suffered further depletion by the calls of the Services and Labour Ministry, but those who remain with us continue to give us the same high standard of service as before, and I would like to express our appreciation of their loyalty and efficiency.

The report and accounts were unanimously adopted.

ODEON THEATRES, LIMITED

PLANS FOR POST-WAR EXPANSION

The sixth annual general meeting of Odeon Theatres, Limited, was held, on the 14th instant, in London.

Mr Arthur J. Rank (chairman of the company) presided.

The following is an extract from the chairman's statement circulated with the report and accounts: The trading profits of the group amounted to £2,163,687, as compared with approximately £1,700,000 last year, an increase of approximately £463,000, which figure I am sure you will agree is most satisfactory. The increase in profits over last year has kept pace with the increase in the amount required for taxation.

Odeon Theatres, Limited, has earned a trading profit, after charging Excess Profits Tax of £629,243 to its subsidiary companies, of £1,261,555. The total available for appropriation is £320,249, out of which the directors recommend the payment of a dividend on the ordinary shares of 15 per cent. (less income tax).

POSSIBLE INTERESTS IN POST-WAR EUROPE

I mentioned last year the important part which the cinema industry plays in the life of the nation, and the responsibility which attaches to the directors of companies such as yours. During the year there has been some discussion as to the activities of those companies which I control. The last thing that I want to see in this industry is any one company so powerful that free and fair competition ceases to operate as an incentive to maximum effort. But I do want to see a sound British industry so firmly established that we can be proud to have played a part in its building, and young men and women when leaving school or university will seek places in our ranks with the knowledge that they will have as good a chance of making a serious contribution to our national life as any of their friends who make their livelihood in industries with longer histories, and I do want to see your company maintained in its proud position as one of the leading exhibitors with, it practicable, a modern theatre in all the major cities of this country.

It is with this in view that we have, during the year, extended our interests by the purchase of additional theatres, and have been exploring the possibility of becoming interested in theatres in Europe, as it shakes itself free from the yoke of Nazism. In this way I believe we could ensure that British pictures will get fair representation in those countries.

WIDESPREAD FUTURE OF BRITISH FILMS

In our British-made films, now so rightly popular with our audiences, we have the means of showing the best of our ways of thought and living. It is the duty of those who believe in them to see that they go all over the world, and in my judgment we shall not build up a successful industry unless we do send our films to all countries that are ready to receive them. But we must see to it that we make films that audiences want to see, and so organise their distribution that audiences are given the chance of seeing them.

I believe that, so far as the United States is concerned, our American friends are willing to collaborate with us, realising that if the two great English-speaking nations are to go forward in friendship, an exchange of films can make an important contribution to mutual understanding.

Although this year will doubtless provide many problems and difficulties, I feel that, taking all things into consideration, we may look forward to the future with every hope of improving and increasing the success of the organisation.

The report was unanimously adopted.

LEVER BROTHERS & UNILEVER LIMITED

REPORT OF ANNUAL MEETING

The annual general meeting of the members of Lever Brothers & Unilever Limited was held, on the 7th instant, in the board-room, Unilever House, E.C.4.

Mr Geoffrey Heyworth presided.

The notice convening the meeting and the report of the auditors having been read, the chairman suggested that the directors' report and statement of accounts and the chairman's review for the year ended December 31, 1942, which had been issued to the members should be taken as read and the members agreed.

The chairman moved and Lord Leverhulme seconded that the directors' report and statement of accounts for the year to December 31, 1942, now submitted be received and adopted.

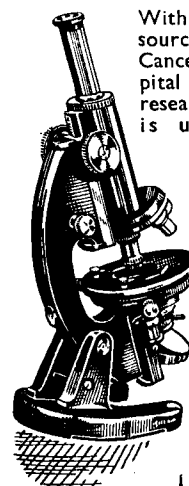
The motion was put to the meeting and carried unanimously.

A dividend of 5 per cent. for the year 1942 on the ordinary stock payable on October 12, 1943, and a dividend of 5 per cent. for the year 1942 on the preferential certificates outstanding under the co-partnership trust were declared; the retiring directors were re-elected and the auditors, Messrs Cooper Brothers and Co., and Messrs. Price Waterhouse and Co., were re-appointed.

At the conclusion of the meeting, Mr A. Carroll-Marx proposed and Mr Francis R. Newbery seconded a vote of thanks to the chairman, directors, and all officers and staff of the company. Mr Newbery asked whether the company had any system of long service awards.

Replying, the chairman thanked the members for their vote of thanks and said that the company had had for many years a system of long service awards, and during the war it took every step to keep in touch with the numerous staff who were away on military or other national service, augmenting the service pay of married employees and conferring other benefits on the unmarried, and the time of absence was counted towards long-service awards and pensions.

HEALING THROUGH RESEARCH



With the clinical resources of the largest Cancer-treating Hospital in the Empire, research into Cancer is unrelentingly pursued at the Christie Hospital, Manchester. Funds are urgently required and your donation earmarked "Cancer Research" will be gratefully acknowledged.



October 16, 1943

ATLAS ELECTRIC AND GENERAL TRUST, LIMITED

IMPROVED VALUATION

The thirty-fifth annual general meeting of the Atlas Electric and General Trust, Limited, was held, on the 13th instant, in London.

Mr Donovan M. Touche, who presided the absence through illness of the chairman, Mr W. Sandford Poole, said that the gross income amounted to £274,919, which was £8,985 less than in the previous year. That decrease was more than counted for by the reduction of £12,848 the dividends received from countries

at present in enemy occupation. Fortunately there had been a reduction of £6,192 in the charge for taxation, so that the net income showed little change at £155,139 from the corresponding receipt of £157,932 for the previous year.

The general investments stood at over £5,700,000 and showed a depreciation of under one seventh of 1 per cent. at the date of the balance sheet. A year ago the depreciation had amounted to no less than 21½ per cent. A subsequent valuation made as at August 31st last revealed that the market quotations for the securities then held showed a surplus of £279,393 over their book cost.

The gross receipts for the year to March 31st last of the Sociedad Com-

ercial de Montevideo amounted to 5,763,838 pesos, an increase of 885,746 pesos. The increase in traffic had been mainly due to the reduction in the bus services on account of the petrol shortage, but it was only fair to state that it was also due to some extent to the improved facilities provided for the public by the management in agreement with the municipal authorities.

The financial outcome of the operation of the tramway system had been less unfavourable than it had been for a long time and had resulted in an operating profit, subject to depreciation, of 276,959 pesos. That compared with a loss of 98,299 pesos for the previous year.

The report was adopted.

(Continued from page 532)

present visit of representatives of the British-owned railways in Argentina, and the new offer to Brazilian bondholders.

* * *

Engineering Wages

At the end of last week, it was announced that an agreement had been reached between the firm of Vickers-Armstrong and the trade unions concerned for the replacement of the premium bonus system at Barrow by a time piece system, thus bringing Barrow into line with the practice at other Vickers factories. Under the old system, which had been in operation for 40 years, the time taken for a certain task was agreed and, if the worker completed it in less, he received a bonus; 50 per cent of the time saved was translated into wages, the other 50 per cent accrued to the firm. The new system means the introduction of straight piece rates, which should provide a far greater incentive to effort. It has been claimed in some quarters that this change represents a major victory for the strikers, whose stoppage had lasted 18 days and cost over a million man-hours. In fact, the Barrow workers have not gained anything by striking which they could not have won by negotiation, and the firm had actually made an offer on these lines some months before. Some, but not all, of the workers will be better off as a result of the new system, and of the correction of certain minor wage anomalies, which had nothing to do with the Tribunal's award. Many post-mortems have been held on the strike; one fact which emerges is the complex nature of engineering wages. The district base rate of 46s. for a 47-hour week, up to the Tribunal's March award, which raised it to 66s., had been accepted as the standard for negotiation purposes; increases on the rate have been in the form of periodic additions to the national bonus. The rate for an adult male labourer is fixed, and so is that for a woman engaged on woman's work. But no rates are fixed for the various machine and assembly processes, many of which have been introduced in recent times. Mr Jack Tanner stated at the AEU National Committee meeting in June that the union was preparing a new wages structure, which would grade the various processes and would consolidate national bonuses in the basic rates.

* * *

Coal Mining Technicians

A committee of the Institution of Mining Engineers has been examining the question of the training of mining engineers. During the proceedings of the Rockley Commission on Safety in Coal Mines (1935-38) the existing system of examinations for certificates of competence came in for some sharp criticism. Mr G. Forster, the chief witness of the National Association of Organisers and Full Time Teachers of Mining, expressed the opinion that the present system of examination "allows people to get through without any real evidence of their having adequate scientific training." In its final report, the Commission emphasised the view that ultimate responsibility rested on the mine owners, who, if they

really want to strike at the root of the problem, and to ensure a steady flow of good university men into the industry, can only do so by instituting an organised scheme of recruitment coupled with some reasonable assurance of future prospects for the entrants.

The recommendations of the committee have in view the future supply of an increasing number of men for positions as colliery managers and higher officials who have not only had a sound general

education and technical training, but possess also a broad outlook and, in a high degree, the qualities of leadership.

It suggests that training should in future qualify students for membership of the Institution, and that the examinations should be conducted in three stages, namely, at 18, 22 and 26 years of age. The first of these examinations would be in pure and applied science, the second in mining engineering subjects, and the third, mainly oral, would test the student's grasp of mining, his general suitability and his knowledge of mining legislation. The technical education would normally be at a university or technical college. The scheme would be under a board and director of training appointed by the Council of the Institution, and provides for (1) examinations at the cost of the Institution, (2) scholarships to selected students while in residence at universities or attending technical colleges, and (3) minimum rates of remuneration to students during the time they are in employment and gaining practical experience. The committee assumes that after this the fully trained and qualified young man of proved ability will be able to demand, and will have no difficulty in obtaining, a very much higher salary as manager, with a prospect of securing later one of the higher posts in the industry.

* * *

Shoe Repairs

The need for shoe repairs has naturally grown with the rationing of clothing and the inferior quality of shoes now being produced. Paradoxically, the fact that few lowest grade shoes are now produced has also accentuated the demand for shoe repairing—shoes bought at 5s. or less were thrown away when worn out, but it is worth repairing their more expensive substitutes. The number of shoes repaired is not known exactly, but it is probably approaching a total of 350 million pairs a year, from a pre-war level of, possibly, 250 million annually. The additional amount of work is being done—as in all trades—with a reduced labour force. Workers now number about 65,000, a reduction of approximately 10 per cent since the war. As many as 27,000 of the total of about 8,000 establishments are one-man businesses, and at the other end of the scale some 300 employ more than ten workers. The labour force is now relatively stable, and local need is the guiding factor in further withdrawal of labour. The difficulties inherent in controlling a trade so widespread and composed so largely of one-man units, have not proved insuperable. A directorate of shoe-repairing under the Directorate of Civilian Footwear was set up in September, 1942. Its job has been to distribute the limited supplies of repairing material, which it does on a quota system, and to take any necessary steps to ensure that a repairing service continues. In December, 1942, restrictions on the type of repairs were laid down, which not only saved material, but also meant that nearly five pairs of shoes could be repaired in the time previously taken on four. The average time a repairer keeps a pair of shoes is probably now only ten days, although the variation is wide and reaches two months in some cases. It is fairly certain, however, that essential repairs are done with all possible speed.

ROYAL BANK OF CANADA

DIVIDEND No. 225.

NOTICE IS HEREBY GIVEN THAT A DIVIDEND of 1½ per cent., being at the rate of 6 per cent., per annum, upon the paid-up Capital Stock of the bank has been DECLARED for the three months ending 30th November, 1942, and will be PAYABLE at the bank and its branches on and after 1st December, 1943, to shareholders of record 30th October, 1943.

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

6, Lothbury, London, E.C.2. October 14th, 1943.

* October 3, 1942 and October 2, 1943.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Oct. 23, 1942	Sept. 30, 1942	Sept. 30, 1943	Oct. 7, 1943
12 U.S.F.R. BANKS	1942	1943	1943	1943
Resources				
Gold certifs. on hand and due from Treasury	20,562	19,915	19,882	19,898
Total reserves	20,810	20,379	20,344	20,341
Total cash reserves	236	333	331	310
Total U.S. Govt. secs.	3,592	9,204	9,168	9,387
Total bills and secs.	3,615	9,237	9,193	9,412
Total resources	25,677	31,857	31,548	31,574
LIABILITIES				
U.S. notes in circ.	10,798	15,138	15,243	15,309
Excess m. bank res.	2,290	1,890	1,810	1,700
Mr. bank res. dep.	11,801	12,487	12,054	11,903
Govt. deposits	393	549	682	1,013
Total deposits	13,536	14,997	14,385	14,550
Total liabilities	25,677	31,857	31,548	31,574
Reserve ratio	85.5%	68.3%	68.7%	68.1%

	Oct. 23, 1942	Sept. 30, 1942	Sept. 30, 1943	Oct. 7, 1943
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,756	22,205	22,175	22,176
Treasury & bank currency	3,356	4,094	4,096	4,098
LIABILITIES				
Money in circulation	13,830	18,714	18,818	18,883
Treasury cash and dep.	2,628	2,815	2,956	3,292

CENTRAL BANK OF IRELAND

Million £'s.

	Sept. 11, 1943	Sept. 18, 1943	Sept. 25, 1943	Oct. 2, 1943
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	20.00	20.25	20.50	21.00
Sterling balances	1.63	1.65	1.63	1.55
LIABILITIES				
Notes in circulation	24.61	24.83	24.95	25.42

CENTRAL BANK OF TURKEY

Million Turkish pounds

	Aug. 22, 1942	July 24, 1943	July 31, 1943	Aug. 7, 1943
ASSETS				
Gold	138.6	197.2	197.2	197.2
Clearing and other exch.	54.2	74.4	66.8	70.7
Treasury bonds	134.5	132.4	132.4	132.4
Commercial bills	332.4	413.0	403.7	400.3
Securities	55.3	61.6	62.4	62.5
Advances	258.0	261.9	258.7	256.9
LIABILITIES				
Notes in circulation	609.5	727.6	726.6	727.9
Deposits	188.1	223.2	221.4	213.6
Clearing and other exch.	24.6	37.3	30.2	31.5

BANK OF CANADA

Million Can. \$'s

	Sept. 9, 1942	Aug. 25, 1943	Sept. 1, 1943	Sept. 8, 1943
ASSETS				
Reserve: Gold	1.0	41.3	38.72	56.3
Other	875.7	1141.8	1143.4	1148.6
LIABILITIES				
Note circulation	606.9	789.5	797.9	803.3
Deposits: Dom. Govt.	35.1	62.8	62.2	89.3
Chartered banks	217.6	303.4	314.0	312.4

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

RESERVE BANK OF INDIA

Million rupees

	Sept. 25, 1942	Sept. 3, 1943	Sept. 10, 1943	Sept. 17, 1943	Sept. 24, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	269	150	142	145	150
Balances abroad	863	961	1,035	997	1,087
Sterling securities	3,298	6,238	6,518	6,416	6,416
Ind. Govt. rup. secs.	1,024	834	834	734	734
Investments	66	78	77	77	77
LIABILITIES					
Notes in circ.	4,926	7,569	7,620	7,604	7,500
Deposits: Govt.	232	185	284	270	211
Banks	646	775	715	680	680
Reserve ratio	74.3%	87.2%	87.4%	88.7%	88.6%

AUSTRALIAN COMMONWEALTH

BANK—Million £'s

	Aug. 24, 1942	Aug. 9, 1943	Aug. 16, 1943	Aug. 23, 1943
ASSETS				
Gold and English ster.	27.86	37.64	37.64	37.64
Other coin, bullion, etc.	8.21	10.51	10.56	10.56
Call money, London	33.19	49.51	45.60	45.60
Secrts. and Treas. bills	120.45	211.39	212.28	211.39
Discounts and advances	23.92	23.81	22.72	22.72
LIABILITIES				
Notes issued	108.11	144.76	145.01	145.26
Deposits, etc.	132.69	175.94	169.85	174.25

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted

	Barclays Bank Ltd.	Coutts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams & Deacon's Bank Ltd.	Aggregate
Date	28th	27th	29th	21st	21st	29th	29th	28th	22nd	30th	27th	
ASSETS												
Coin, Bank Notes and Balances with the Bank of England	78,754	4,178	16,189	4,816	68,637	18,175	83,934	5,056	49,192	53,477	6,961	389,369
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	20,054	854	4,484	1,814	19,524	8,082	25,162	216	15,583	22,288	3,442	121,503
Items in Transit					7,833							7,833
Money at Call and Short Notice	19,162	4,208	5,254	6,011	25,782	4,321	30,320	8,878	18,994	23,430	3,704	148,064
Bills Discounted	35,039	1,512	11,573	1,999	45,861	7,058	51,394	1,987	27,809	25,817	700	208,739
Treasury Deposit Receipts	242,000	4,500	45,000	178,000	49,000	230,500	136,500	21,000	132,500	136,500	21,000	1,044,500
Investments	218,753	13,978	53,291	21,399	231,588	59,128	231,584	20,846	138,467	163,920	25,050	1,160,104
Advances to Customers and other A/c's	157,458	8,554	21,533	9,122	123,464	29,568	151,370	13,947	111,164	95,735	11,389	733,294
Liabilities of Customers for Acceptances, Endorsements, etc.	15,781	1,325	3,721	5,935	23,557	9,260	13,823	236	10,306	18,919	2,641	105,504
Bank Premises Account	7,921	405	1,425	695	6,791	2,872	8,688	506	6,973	4,942	920	42,138
Investments in Affiliated Banks and Subsidiary Companies	6,220	...	...	...	3,779	...	8,427	...	2,514	2,992	...	23,932
	801,142	39,514	162,460	55,391	714,816	187,464	835,292	51,572	513,502	548,020	75,807	3,984,980
Ratio of Cash to Current, Deposit and other Accounts	10.39	11.54	10.60	10.13	10.31	10.67	10.58	10.72	10.14	10.48	9.90	10.42
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	78,138
Reserve Fund	11,250	1,000	2,977	1,060	10,000	3,700	12,911	1,120	8,500	9,320	1,000	62,687
Current, Deposit and other Accounts	758,253	36,189	152,786	47,546	665,436	170,325	793,399	47,149	485,217	510,445	70,291	3,737,036
Acceptances, Endorsements, etc.	15,781	1,325	3,721	5,935	23,557	9,260	13,823	236	10,306	18,919	2,641	105,504
Notes in Circulation	...	...	...	...	13	19	...	1,507	...	16	...	1,555
	801,142	39,514	162,460	55,391	714,816	187,464	835,292	51,572	513,502	548,020	75,807	3,984,980

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND

London on Australia and N.Z.*

Australia and N.Z. on London

Buying Selling

Australia N.Z. †Australia †N.Z.

Ord. Mail Air Mail (S) (T) 125 124 125 124 125 124 125 124

Sight 126 126 126 126 126 126 126 126

30 days 127 127 127 127 127 127 127 127

60 days 127 127 127 127 127 127 127 127

90 days 127 127 127 127 127 127 127 127

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bill 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. Air Mail (Australia) Demand, 126; 30 days, 126; 60 days, 127; 90 days, 127. (N.Z.) Demand, 125; 30 days, 126; 60 days, 126; 90 days, 127 (plus postage).

SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling)

£101 for T.T.; £102 (sight); £102.5 (30 days); £102.5 (60 days); £102.5 (90 days).

For Rhodesia the corresponding rates are £100.5 (sight), £101 (30 days), £101.5 (60 days) and £102 (90 days).

Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100.5 for South Africa and £99.5 for Rhodesia.

CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from \$-£ rate.

Colombia* Open market sight selling rate 175 pesos per 100 U.S. \$ on Aug. 31st.

Ecuador* Official sight selling rate 14.10 sucres per U.S. \$ on Aug. 31st.

Guatemala* Sight selling rate maintained at one quetzal per U.S. \$, plus com.

Nicaragua* Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5.032 cordobas per U.S. \$ (excluding 10 per cent tax).

El Salvador* Sight selling rate New York was 2.51 colones per U.S. \$ on Aug. 16th.

Venezuela* Sight selling rate New York 3.35 bolivares per U.S. \$ on Aug. 17th.

Peru. Sight selling rate 6.50 soles per U.S. \$ on Sept. 2nd.

* Official exchange controls are operative in these countries.

OVERSEAS BANK RATES

Changed From To

Amsterdam June 28, '41 3 2 1/2

Athens Mar. 10, '42 5 6

Belgrade Feb. 1, '35 6 5

Berlin April 9, '40 4 3 1/2

Brussels Jan. 25, '40 2 4

Bucharest Sept. 17, '40 3 1/2

Budapest Oct. 22, '40 4 3

Calcutta Nov. 28, '35 3 1/2

Chile June 13, '35 4 4 1/2

Copenhagen Oct. 15, '40 4 4

Helsingfors Dec. 3, '34 4 4

Lisbon April 8, '43 3 3

N.Y. Fed. Res. Oct. 30, '42 1 1/2

Changed From To

Madrid July 15, '35 5 4

Montreal Mar. 11, '35 5 4

Oslo May 12, '40 4 3 1/2

Paris Mar. 17, '41 2 1 1/2

Pretoria June 2, '41 3 1/2

Rio de Janeiro May 31, '35 3 1/2

Rome May 18, '36 5 4

Sofia Sept. 16, '40 6 5 1/2

Stockholm May 29, '41 3 1/2

Zurich Nov. 25, '36 2 1 1/2

Tokio ... 3 1/2

Wellington July 20, '41 2 1 1/2

Dublin Oct. 26, '39 4 3

(a) For banks and credit institutions.

(b) For private persons and firms.

COMPANY RESULTS (October 1, 1943, to October 15, 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.
		£	£	£	£	£	£	%	£	£	£	%	
Canals, Docks, &c.	April 30	28,797	5,000	18,856	34,718	...	7,500	10	10,353	+ 1,003	29,832	17,646	75
Coal, Iron and Steel	June 30	55,779	...	7,815	Dr. 412,185	...	...	...	...	+ 7,815	30,545	580	15
Coal & Knowles' Coal & Iron	June 30	32,147	...	13,324	18,568	...	7,665	18½	5,000	+ 659	33,681	12,728	Nil
Financial, Land, &c.	June 24	152,597	...	16,943	26,216	...	...	...	...	+ 16,943	128,053	Dr. 9,914	Nil
London Properties	Dec. 31	326,664	...	57,271	75,547	17,083	19,200	4	20,000	+ 284	275,591	5,492	24
South Estates Co.	Feb. 28	59,994	...	6,566	22,048	8,750	...	...	...	+ 2,584	62,792	5,158	Nil
Investments	June 30	87,122	...	15,323	25,791	5,500	9,000	6	...	+ 825	80,151	20,468	3
Lord Puck Estates	June 30	102,034	10,887	17,846	65,312	...	22,750	7	...	+ 4,904	99,504	34,712	7
Motor, Aviation, &c.	Mar. 31	316,757	51,071	75,186	83,985	8,113	40,840	10	25,000	+ 1,253	231,401	71,991	10
Motor Bodies	Dec. 31	326,922	...	78,180	123,177	...	35,000	7	45,000	+ 1,820	345,918	77,649	17
Rubber	Dec. 31	1,721	...	167	7,761	...	...	...	...	+ 167	28,566	Dr. 5,008	Nil
Rubber Estates of Java	June 30	Dr. 1,517	...	Dr. 9,377	3,834	...	...	...	...	+ 9,377	64,508	Dr. 6,963	Nil
Rubber	June 30	1,675	...	2,095	12,566	...	...	...	...	+ 2,095	17,880	2,969	Nil
Rubber	Mar. 31	655	...	55	20,125	...	...	...	...	+ 55	34,891	8,112	Nil
Bahr	July 31	1,365	...	823	16,799	...	...	...	...	+ 823	10,635	10,635	Nil
Rubber	Mar. 31	406	...	Dr. 1,776	7,093	...	...	...	...	+ 176	6,213	260	Nil
Java Rubber	Mar. 31	122	...	Dr. 1,201	1,477	...	...	...	...	+ 1,291	6,827	1,646	Nil
Estates of Ceylon	Dec. 31	8,469	500	4,669	6,611	...	3,675	2½	2,000	+ 766	11,357	5,887	24
Peak Rubber	June 30	213	...	Dr. 493	1,152	...	...	...	...	+ 493	2,447	416	Nil
Plantations	Mar. 31	957	...	Dr. 6,498	1,369	...	...	...	Dr. 7,500	+ 1,092	Dr. 2,751	Dr. 26,012	Nil
Rubber	Mar. 31	217	...	Dr. 467	7,783	...	...	...	...	+ 467	13,264	Dr. 366	Nil
Plantations	July 31	9,520	...	Dr. 468	5,377	...	...	...	...	+ 468	860	Dr. 6,508	Nil
Shipping	June 30	83,272	...	33,272	56,288	11,443	16,695	7½	...	+ 5,134	73,637	25,637	71
South Line	Mar. 31	202,442	...	79,549	87,773	...	76,600	5½	...	+ 2,949	154,424	79,498	50
Books and Stores	April 30	34,869	1,540	8,857	20,487	3,000	1,500	72½	4,000	+ 357	41,291	6,203	72½
Tea	Dec. 31	16,808	787	6,492	8,476	...	6,480	9	...	+ 12	16,484	6,166	9
Tea	Dec. 31	178,587	...	40,987	59,411	5,250	36,756	11	...	+ 269	161,834	45,539	11
Tea	Dec. 31	132,317	...	38,318	74,745	...	39,750	...	...	+ 1,432	167,918	57,018	10½
Tea	Dec. 31	4,483	250	1,310	1,57	...	1,250	4½	...	+ 60	4,152	967	4
Tea	Dec. 31	105,959	...	15,959	105,973	...	12,875	10	...	+ 3,084	66,030	16,630	...
Trusts	Mar. 31	274,919	...	115,983	271,148	111,453	...	...	...	+ 4,550	283,904	118,577	Nil
General Trust	July 31	47,507	...	10,893	30,534	7,845	...	...	...	+ 3,050	45,329	9,851	Nil
General Trust	Aug. 31	62,120	...	13,975	50,283	15,000	...	...	...	+ 1,025	61,063	11,884	Nil
Industrial Trust	June 30	4,957	...	3,236	6,510	...	...	...	5,399	+ 2,163	4,227	2,915	Nil
Industrial Trust	Aug. 31	56,763	...	11,773	28,090	11,288	...	...	...	+ 490	55,454	11,121	Nil
Oil Companies	June 30	231,512	...	51,400	65,399	6,000	28,125	30	17,500	+ 225	229,820	43,185	10
Oil Services	June 30	278,701	8,239	102,720	121,562	13,750	62,500	25	25,000	+ 1,470	269,245	101,775	25
Oil & Gold Stores	Mar. 25	43,618	15,253	27,570	31,576	10,250	15,000	15	3,000	+ 764	40,294	24,972	15
Oil (Straits)	Mar. 31	54,959	...	12,998	43,925	5,250	7,500	5	...	+ 248	66,917	35,035	...
Oil & King	Aug. 31	224,884	19,344	156,495	196,255	18,375	106,854	25	40,000	+ 2,734	221,778	151,766	25
Oil & Co.	June 30	30,175	1,668	13,275	21,522	5,000	6,414	5	...	+ 1,861	30,659	12,910	...
Oil & Co.	July 17	42,207	5,000	32,344	43,936	6,000	25,000	12½	...	+ 1,344	45,397	31,462	12½
Oil (Straits)	May 31	20,498	1,432	8,816	12,651	6,875	12,263	12½	...	+ 1,944	19,864	7,766	...
Oil & Nilever	Dec. 31	6,028,834	...	6,028,834	7,766,146	4,346,779	71,263	950,000	10,000	+ 1,108	5,835,585	5,836,889	10
Oil & Nilever	June 30	120,873	15,060	89,392	142,582	6,000	75,000	12½	...	+ 91,418	144,443	125,244	Nil
Oil & Nilever	June 30	111,782	...	91,418	146,025	93,789	71,025	15	...	+ 2,115	133,745	119,242	10
Oil & Nilever	June 26	126,355	...	166,993	245,524	...	19,015	12	...	+ 1,691	264,263	16,458	10
Oil & Nilever	June 30	236,462	...	17,324	33,354	...	70,000	20	35,000	+ 56	121,154	108,567	20
Oil & Nilever	June 30	124,363	...	105,095	181,928	6,590	8,250	7½	...	+ 140	48,654	16,351	10
Oil & Nilever	April 30	32,849	...	14,980	20,882	...	32,356	10	...	+ 3,950	92,948	24,495	10
Oil & Nilever	June 30	134,266	12,061	36,306	47,026	...	8,600	8	3,000	+ 622	43,657	19,516	...
Oil & Nilever	June 30	47,141	5,747	22,622	27,375	10,200	...	...	...	...	...	...	...
to October 15, 1943...	No. of Cos. 52	11,742	152	7,656	10,122	4,736	1,582	...	1,193	+ 145	11,634	7,411	...
to October 15, 1943...		1,570	331,206	27,934	142,100	235,647	35,901	86,152	...	+ 3,776	316,575	126,985	...

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: 85, BROADWAY, NEW YORK CITY

THE UNION BANK OF AUSTRALIA

ESTABLISHED 1887. 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 BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835.)

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.

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, 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. MacLellan, Manager.

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.

THE ENGLISH, SCOTTISH AUSTRALIAN BANK, LTD.

Head Office: 5 Gracechurch Street, E.C.

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 is
well placed for the conduct of all classes of Banking
with Australia.

J. A. CLEZY, London Manager

NATIONAL BANK OF EGYPT

Incorporated in Egypt

Liability of Members is Limited

FULLY PAID
RESERVE FUND

London Agency:

6 & 7 King William Street

Branches in all the Principal Towns in EGYPT

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 ALEXANDRIA WATER COMPANY, LTD.

ALEXANDRIA—EGYPT

INTERIM

NOTICE IS HEREBY

FOUR SHILLINGS will be paid without deduction of any taxes amounting to 10p, making 3s. 5d. after the 15th October, 1943, at the National Bank of Egypt, in Alexandria at Rue Toussoun, or in London, at 6, King William Street, E.C.4.

By order of the Board,

T. D. KEY

ROBERT WALTON } Joint Managers

Dated: 1st October, 1943.

THE FINANCIAL NEWS

though it is not possible to be purchased at any difficulty arise write to the Editor, 10, C.2, and he will guarantee

weekly by THE ECONOMIST NEWSP.

16, 1943.

and firms.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5226

REGISTERED AS
A NEWSPAPER

OCTOBER 23, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

False Premises	541	World Trade Unionism	546
Il Faut en Finir	543	Algerian Rehearsal	554
Economic Civil Service	544	Experiment in Price Control	558

NOTES OF THE WEEK	547	BOOKS RECEIVED	556
-------------------	-----	----------------	-----

France and Italy; The Balkan View; Peaceful
Solutions; In Conference; Fresh Start in India?
Electoral Machinery; Pay-as-You-Earn; Democratic
Planning; The Catholic Schools; Ukrainian Man-
ganese; Bombs on Ball Bearings; Producers'
Agreements; Retailers' Poll; Post-War Exports;
Standby Duties; The Hereford Case; Workmen's
Compensation; Shorter Notes.

AMERICAN SURVEY	552
-----------------	-----

The Senate Goes In; Common Ground; The Darker
Side; Coal Deadline.

THE WORLD OVERSEAS	554
--------------------	-----

Algerian Rehearsal; Eire's Post-War Economy;
Germany at War.

LETTER TO THE EDITOR	556
----------------------	-----

Local Government Reform.

THE BUSINESS WORLD

BUSINESS NOTES	559
----------------	-----

Lord McGowan on Chemicals; The Future of
Coal; Research and Industry; Big Money Turn-
over; Ownership of "Kaffirs"; Reserves and Pro-
visions; Export Credits; Mutual Finance Deal; New
Rupia Loan; Dorman Long Finance; Long-
Distance Road Haulage; Bread and Potatoes; Open-
cast Coal; The Rate for the Job; Drapery Profits;
Pulp and Paper Supplies; Political Adviser for
Unilever; Correction; Company Results.

COMPANY MEETINGS	566
------------------	-----

RECORDS AND STATISTICS	568
------------------------	-----

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

False Premises

READERS of Poe will remember the famous letter
hidden by being put in the most conspicuous place
possible. The trick is as familiar to students of politics
as to connoisseurs of crime. It consists in placing a false
premise boldly in the forefront of an argument in the
hope, usually justified, that it will escape notice. Some-
thing of the sort is apparent in the Prime Minister's plea
that his Coalition Government, formed to fight the war
on a basis of national unity, has therefore only a limited
liability in matters of government.

Mr Churchill took the opportunity of last week's coal
debate in the Commons to state the doctrine: "Every-
thing for the war, whether controversial or not, and
nothing controversial that is not bona fide needed for the
war." He laid it down that his Government has no right,
"except with a very general measure of agreement," to
step outside "the one function by which its continued
existence is justified, the prosecution of the war." In this
argument, there are two "hidden letters," two doubtful
premises. The first is that the prosecution of the war is
the one function by which the existence of the present
Government can be justified; the second is the assump-
tion that to the many questions which are being pressed

upon him there are no answers that command "a very
general measure of agreement."

It is worth while recalling what happened in May,
1940. Briefly, Mr Churchill replaced Mr Chamberlain
as Prime Minister and leader of the Conservative Party,
and the Labour Party joined the Government. It is surely
not suggested that either Mr Churchill or the Labour
Party made it a condition that the policy of the Govern-
ment should thenceforth be confined exclusively to war
requirements. According to the Prime Minister's present
argument, Mr Chamberlain's Government, despite the
war, could have made decisions and taken legislative
action on any question, simply because it was Conserva-
tive and not Coalition, but the appearance of himself at
the top and Labour Ministers by his side at once re-
stricted its province. This is surely almost a travesty. It
is not the new men but the old ones, the backers of
Chamberlain before Churchill, who have made conditions,
if any have been made. What Mr Churchill must mean is
that reconstruction is inhibited, not by Coalition, but by
Conservatives, and then only by a section of the Party—
which also contains the Tory Reform Committee, born
last year to press for the Beveridge proposals.

The truth is that, apart from several rows of Conservative backbenchers, there is the very general measure of agreement required by the Prime Minister for release from the self-denying ordinance that he has fallaciously accepted on behalf of his Government. No sensible person will deny that the Prime Minister is right to resist attempts to introduce revolutionary changes by a "side wind," under the guise of war necessity; but equally it is wrong, both logically and politically, to use war necessity as an excuse for stopping urgent and widely agreed reforms. Coalition or party, a Government, in war or in peace, can set no limits to its duties other than the nation's needs. "No election is needed (General Smuts has pointed out) to prove that the British people are united to a man behind the greatest leader they have ever had." Mr Churchill need not be diffident and retiring about reconstruction; he has a mandate of his own.

Admittedly, there is very much more than politicians' logic in Mr Churchill's standpoint. All his energies and most of his imagination are taken up by the overriding task of waging and winning the war. Day-to-day administration he leaves to his colleagues who, except on the most immediate war problems, probably do not, unfortunately, reflect the measure of agreement on other questions that exists in the country. The Cabinet, like the Commons, is out-of-date; and Mr Churchill is to this extent correct when he says that only the refreshment of a general election can put things really right. In recent Cabinet discussions on the relations between the state and certain industries, there have been clashes between doctrinaire Ministers on the one hand, and intransigent Ministers on the other; and the public by-product has been undignified wrangling about the future of controls. In this situation, there may appear to be some *prima facie* justification for the Prime Minister's refusal to permit the great preparations for reconstruction that are going on to approach the point of actual decision.

Unfortunately, however, it is not possible to let sleeping dogs lie. Neutrality is no more possible in the business of government than it is in world affairs. The saying that Britain acquired an Empire in a fit of absence of mind can have its sequel—in the opposite sense. By postponing policy on questions of domestic reconstruction, a wrong policy is in fact accepted. Moreover, by the policy of drift, however well-intentioned, the best is made the enemy of the good. The Beveridge, Barlow, Scott and Uthwatt Reports are well-worn instances; by deciding that major decisions on these proposals can only be made by a more popularly elected Parliament than the present one, reforms are blocked which have been urgently needed for a generation, and are now generally desired, in unemployment insurance, workmen's compensation, national health insurance, education, town and country planning and the rest. In fact, political dialectic apart, the true test is, first, whether this or that question requires governmental action and, secondly, whether there is a sufficiently general measure of agreement that the appropriate action should be taken. The best proof, of course, would be a general election. But is it seriously questioned that a majority of people in this country wish to see the implementation of the Beveridge Report (not simply earnest research into the many problems to which it gives rise); the making of a positively planned housing programme to begin on the day labour and materials are available; and the fashioning of a demobilisation and full employment policy to operate as soon as the first soldiers, war workers and ships can be released from national service? If these plans are not laid now, the chance may be lost for ever.

Moreover, it is nonsense to say that decisions, outside military necessities, cannot be taken. In fact, they are being taken—internationally. Is the argument that foreign relations, even in this democratic age, are something apart, reserved for Executive action? More likely, the reason is that, in foreign affairs, the inescapable link between war and peace, which exists no less in domestic affairs, cannot but be seen. The agenda at Moscow this week will be as broad as the Three Powers can bring each other to allow, and every decision will affect this nation's future as directly and as "controversially" as decisions on the Beveridge, Barlow, Scott and Uthwatt

Reports would do. The economic discussions in Washington, which are nearly ended, have covered commercial policy, international currency, world investment, raw materials and full employment, all of them vital and "controversial" determinants of the destiny of Britain. What is settled or not settled at Washington about economic policy, will fix the limits of what will be practicable in policy here at home. While, on the one hand, domestic reconstruction goes by default, on the other, it is settled abroad. If, for instance, in the interests of an agreement with the United States, the British Government, through its experts, has accepted restrictions of the budgetary or exchange policies that post-war full employment may require, a decision of major importance will have been made. If it has been agreed, as a matter of principle, to abandon the sterling area as a unit of monetary and trade policy, without securing in return a guarantee that the United States will make available to its commercial and investment arrangements all the dollars that the nations may require, the substance of national security will have been surrendered for the shadow of internationalism.

The talks at Washington have gone well, and it is possible that a compromise may have emerged between the British and American plans for post-war international payments. The danger is that such a compromise may very well embody the defect of both these plans for restoring world economic equilibrium, namely, their under-estimate of the size and persistence of the excessive debit and credit balances that are likely to arise from the "normal" processes of international trade—unless there is a radical change in economic policies, especially in those of the United States, the biggest creditor. Provision for large capital loans, as proposed in the American world bank project, might put off the day of reckoning, but it cannot solve the problem; and, until the problem is solved—that is, until unfettered multilateralism (which is, of course, the ultimate aim of every sensible economist and politician) becomes a practicable proposition—this country cannot, for its own sake, renounce the expedients of bilateral trading, exchange control, Government purchase and regional currency arrangement that may be forced upon it.

No government, in short, can surrender or separate its responsibilities. Policy is indivisible, and cannot be dealt with departmentally, in time or in space. What is done or not done now, determines what will be possible when the war ends. What is settled to-day in Washington or Moscow, determines what will be practicable in London to-morrow. This is not to say that international agreement should not be grasped at eagerly; it is the condition precedent for all peace and prosperity. But it is to say that a balance must be held between reconstruction at home and abroad, that they must march together in step, that if decisions can be taken in Washington or Moscow, they can, and must, be taken in London too.

As it is, the left hand does not know what the right hand is doing. In the first and last resort, the responsibility is Mr. Churchill's simply because, as General Smuts said, he wields the power and holds the keys. He cannot wash his hands of these questions, without counting the consequences; he must decide whether to be the pilot or Pilate. But, next in responsibility, there are his colleagues. He rules, and they are divided. Not even the Labour group has a policy. Mr. Bevin wishes to preserve the status quo, with the workers' wartime gains, by collective bargaining in the corporative style. Dr. Dalton, with oversight of industrial reorganisation, believes he can accept monopoly and then tame it. Mr. Attlee, supporter of social and international justice in general terms, is inclined to support the wrong policies for the right reasons. Mr. Morrison has stated the proper objectives, full employment and fair distribution, but he has not induced his party superiors to fashion a coherent and practical home and foreign policy for the best and justest use of the nation's resources. Until progressive forces can be united in their presentation of the popular will, Mr. Churchill may not after all be entirely wrong to say that the present Cabinet, and Parliament, are incapable of making decisions without perilous controversy.

Il Faut en Finir

THE background of the Moscow Conference is set on the battlefronts; the overriding question, which the three Foreign Secretaries cannot themselves decide, is how soon victory can be achieved. As General Smuts put it at Guildhall on Tuesday:

Time is short. The time factor in this fifth year of war has become all-important, and from now on every moment counts. If Europe is to be saved from immeasurable disaster we must look upon the earliest ending of the war as of first importance.

General Smuts gave his own forecast and time-schedule of events:

We may confidently reckon on still further advances, especially in Southern and South Eastern Europe, and by the coming winter we shall have closed in upon Hitler's central fortress of Europe, and be making our dispositions for the grand assault by all arms next year.

Is this statement a signal that the shortest way to victory, by concert among all the Powers, has now been found? It may be; but even this confident pronouncement will disappoint and puzzle many people in Britain as well as in Russia. The material superiority of the Allies over Germany in every branch is now beyond doubt. Their war production is more than double that of German-controlled Europe, their air power at least three times that of the Luftwaffe. They are masters of the Atlantic and the Mediterranean—they have at least a dozen warships for every German one; and they can muster 450-500 divisions against the German and satellite maximum of 350. The enemy is retreating on every battlefield, in Russia and Italy, in the air and at sea, and not least on the battlefield of ideology. Yet the official sirens still sound the political alert—"the most difficult phase of the war is still ahead of us," "we must not expect the end of the war—yet." At this stage the difference between three more months of war, six or twelve is very great.

How do the warnings of the Prime Minister and his colleagues, on both sides of the Atlantic, square with the overall picture of the war? How is it that journey's end may not yet be in sight even though most of the milestones have been passed? The reason best known is the geographic division of the Allies from each other and—except in the case of Russia—also from their chief enemy. But this is not all. The Allies have been divided from each other by more than geography. Their tradition and method of conducting war is fundamentally different; and this, as much as anything else, has led to differences between Moscow and London over the Second Front, over the tempo of the war, and over the respective share of the burden of war carried by each of

the Allies (which General Smuts discussed on Tuesday). The Russian and the German way of war—in the Second World War—is based on land power plus air power. The British and American way of warfare has so far been based on sea power plus air power, or it might almost be truer to say air power plus sea power.

This distinction has conditioned both the method of Allied warfare in the west and the form of assistance given to Russia. Both the Russian and the German war machines were constructed as a whole: they were made up of an offensive air force whose success could be exploited immediately by a mobile army served by adequate road and railway systems. Not so the war machines of Britain and America; they do not appear as the outcome of some centrally co-ordinated plan. They have not yet shown at this late stage of the war an adaptation to the need of co-operating with a great European land power conducting war according to the principles and tempo of modern war on land.

The great Anglo-American air offensive, now in full swing, is a typical example of this different conception of war. The day and night raids on Germany's industrial centres are generally cited as a classic example of economy of force in modern warfare. The small casualties, both absolutely and relatively, with which the Allies have paid for the heaviest attacks on German industry compare well with the blood-letting of the indecisive battles of the last war; and they inflict, at the same time, tremendous shocks on the enemy without any equivalent cost to the attacking force. All this speaks volumes for the skill and bravery of the men who plan and execute these attacks upon the enemy.

But in modern total warfare economy of force cannot be measured simply by the isolated results of a single or even a series of actions. It is not only the damage inflicted that is the measure of success, but still more the extent to which each operation contributes to a decisive defeat of the enemy. This is where the weakness appears of the air-sea combination in relation to the air-land combination, both when they are opposed as in the case of Britain and Germany, or allied as in the case of Britain and Russia. The pace and development of a war based on sea power is fundamentally different from one based on land power. Last May, three Ministerial pronouncements were made on this subject. Mr Churchill, on May 19th, said:

Opinion, Mr President, is divided as to whether the use of air power could by itself bring about the collapse of Germany and Italy. The experiment is well worth trying so long as other measures are not excluded. There is certainly no harm in finding out.

For Insurances of all kinds



ALLIANCE

ASSURANCE COMPANY LIMITED
OF BARTHOLOMEW LANE, LONDON, E.C.2

Custodian of the Future

The Alliance is empowered to act as
Executor and Trustee and as Trustee
for Debenture Issues.

HEAD OFFICE: TEMPORARILY AT KIDBROOKE PARK, FOREST ROW, SUSSEX.

Mr Eden, on May 20th, said:

The programme we have prepared for Germany is night and day bombing, day by day and hour by hour, continuously, relentlessly. Germany is being bombed not only round the clock but round the map.

Sir Archibald Sinclair, on May 21st, said:

There is only one hope of getting to Berlin without the slaughter which the land battles of the last war entailed, and that is the paralysis of German war power by Bomber Command.

One of the chief features of this policy is that the attacker—in this case Bomber Command and the United States Army Air Force—though active all the time, depends for decisive victory upon the effect on the enemy's morale. The bombing of Hamburg was a classical example of the inability of quick, decisive exploitation after a great air attack; like the effects of blockade, those of bombing are cumulative and may take considerable time before they strike down a nation such as Germany. The question is not whether the damage done is tremendous and terrible—it undoubtedly is—but how long it must go on.

The Russian view of the war is different. It is based upon a great culmination of effort to break the military backbone of Germany. The Russians are, as it were, using every opportunity to gain a decision in the shortest possible time. Without a concerted decision about what kind of war the Allies together intend to fight and win, Allied economy of force might well prove an illusion. Air attack, though not involving great loss of life and direct damage to machines, is absorbing the greater part of Allied manpower and industry, and has diverted effort which might otherwise have gone to shipping, guns or tanks. The question now to be asked is whether, in this favourable situation of the war, with the enemy out-matched on the field and in the air and at sea, as well as on the home front, the Allies have the weapons and the strategy to exploit the advantage in time, to strike decisive blows to tune in with the Russian attack?

One common error has been to oppose two conceptions of this war; first, the comparatively "cheap" attack on the heart of Germany by means of long-distance air assault; and secondly, the costly invasion of Europe by land, using the air only as support for army operations. The third alternative is to combine Allied sea-air power with the land power of the Red Armies in a combined operation. The whole history of war between the land power on the Continent and the sea power of Britain points to the conclusion that, for a decisive victory, the sea power of Britain has to be reinforced by

the land power of a continental Ally. It was so in the case of Napoleon, in the case of the Kaiser and now, in the case of Hitler. Britain has often been able to "contain" itself by sea power alone, but never to redeem Europe as well without Continental aid.

Would it be wrong to suggest that it has been reliable in on sea plus air power that has explained the long-distance perspective of the war still officially given? Alone, it is bombing of Germany does not offer any prospect of an early finish—though it may of a certain and complete finish in time. Land warfare and sea-air warfare, on they are proceeding in Eastern Europe and Western Europe have been out of step in their timing. General Smuts has suggested that the United States, "latest and freshest and most potent newcomer in the field," may have to play "the decisive part in the concluding act." This may well be so; but Anglo-American superiority in the air and at sea, for all the great devastation and attrition achieved, cannot exercise an immediately decisive influence at this stage of the war; only the Russian margin over the German land forces is at present in a position to do this. Allied effort is dispersed in Europe. Where Allied superiority is most marked in the air and sea—in the Mediterranean—it is bringing least direct pressure to bear upon the enemy. The pin-point of Allied attack in Italy is concentrated on six enemy divisions and on territory neither vital to the Allies nor to the enemy.

It is impossible to make radical changes at this stage but the full fruits of the Red Army's successes, of the Anglo-American air attacks on German cities and industries, and of Allied command of the sea, will be harvested only if it is being made possible for Britain and America to threaten German land power with superior land forces of their own. Anglo-American sea and air power already means ability to transport armies to theatres where they can be usefully employed; but Anglo-Soviet-American land, sea and air power together would spell ability to transport and march forces to theatres where they could be decisively employed. To achieve this calls for adjustments and changes within the present war machine and with the existing weapons. It calls for political, strategic, tactical and organisational adaptation to new conditions. Above all it calls for a single Allied strategy of victory against Germany with combined concentration of effort and with dovetailed time-tables. General Smuts may have indicated to the world that such adjustments are even now being made and such a time-table set in motion. If this is so, it was a historic statement; if not, it was simply the apology of an Elder Statesman.

An Economic Civil Service

IT is now a matter of common agreement that the State will have, in future, a larger rôle to play in the economic affairs of the community, whether by way of direct management, of control and supervision, or by less direct methods. Insufficient attention has been given to the implications of these developments for the administrative mechanism of the State and its personnel.

Before 1929 there was very little direct intervention by the State in the affairs of industry, other than a number of purely supervisory activities that were necessarily of a semi-legal nature. The industry with which the State had most concern, though it stopped far short of management, was coal-mining, and there a special corps of servants of the State—the inspectors of mines—was created for the purpose. In the decade before the Second German War broke out, State intervention in one form or another was found necessary. This was true of a number of individual industries—for example, in iron and steel, in shipbuilding and in films, apart from the manifold interventions of the State in agriculture, which may perhaps count as a special case. But it was also true of industry in general, both in the Special

Areas and throughout the country, as a result of the Import Duties Act, the form of which required the State to make up its mind whether to give or withhold protection in the case of each individual industry that made application.

For all this growing department of public policy the State had no experienced and informed servants. The industrial departments of the Board of Trade, the Import Duties Advisory Committee and the other departments concerned were staffed by members of the home Civil Service, who had a fund of practical experience on methods of avoiding the waste of public money but little or no experience in handling industrial problems, and no considered and corporate body of doctrine on the proper economic policies of the State. That the Government in these years had no consistent economic policy was largely due to the fact that it could get no advice on the subject from the Civil Service. It was this lack of personnel, too, more than any deliberate choice of policy, that led to the rapid growth in cartellism in this period. The Government was placed in the position of admitting that, for a number of industries, something in

the nature of central organisation was needed, of being unable to provide the central direction itself and consequently of pushing off on to the industries its own responsibilities to the public. In one or two cases the gesture was made of appointing an "independent chairman" (drawn from the City). But the independent chairman was given no staff to assist him.

This problem has been tackled during the war by the inflow of temporary civil servants, through whose medium the Government is now running a substantial part of British industry. In far too many cases—as *The Economist* has consistently complained—men drawn from an industry have been set to run their own industry. But this has not been true in every case, and some of the most successful administrators of industrial policy have been drawn from outside of industry altogether—from the universities, for example. This wartime experience has shown that the problem can be solved—that there are people capable of serving the State in these departments of policy—but it has not provided a solution, since the temporary civil servants—or, at least, the best among them—will leave the service of the State at the end of the war. The baby will be handed back to the permanent civil servants.

This presents a real dilemma. The permanent civil servants are woefully too few in number for the tasks that will present themselves. They are not suited by their training and experience or (with rare exceptions) by temperament to handling industrial and economic problems. With the exception of finance, where the Treasury has long experience and great skill, and which is, in any case, more a matter of ordinary commonsense than its practitioners will usually admit—with this exception, economic and industrial questions almost always involve some technical knowledge and some acquaintance with the practical problems of the market-place. Of these things the civil servant is ignorant and knows he is ignorant. Faced with questions that involve them, he is apt merely to play safe, to work on precedent and to avoid any adventures into the unknown. He could hardly be expected to do otherwise. But if, in view of this, the Government relies, in its industrial policy, on advice given *ad hoc* from industry itself, then it loses all possibility of having an independent policy.

The way out of this dilemma is by the recruitment to the permanent service of the State of a special class of civil servant with some experience of industrial and commercial affairs who would be the advisers of the Government on economic questions and the executants of its policy. Such an Economic Service might well stand to the home Civil Service in much the same relationship as the new Foreign Service or the Colonial Service. It would, that is to say, have the same status and broadly the same conditions of service, and it would stand in the same relationship to Ministers. But it would be a specialist service, with its own principles and body of experience, and a man entering it would normally find his whole career in it. Like them, too, it would have its own special conditions of entry and means of recruitment. As with all the higher administrative services, the first requirement would be a good general education and a high level of intelligence, but to this would have to be added some practical experience of affairs. For this reason it would not be practicable to recruit at the age of 22—or certainly not at that age only. Possibly the best field of recruitment would be among men in their early thirties who are beginning to feel their feet in industry or commerce; alternatively, men could be recruited earlier and sent out to acquire experience for a number of years. Some would necessarily be sought in academic circles, and this would require a narrowing of the gap between theoretical and applied studies. Effective chairs of Applied Economics at the universities, realistically filled by professors of the first calibre, without the present derogatory distinction between the pure and the "technical" aspects of the subject, are needed; so, too, is applied research by students into specific industrial problems, in the form preferably of positive reports or actual experience in local or industrial

administration. Nor should young men, industrial or academic, be debarred by their administrative functions from having "political" opinions on matters which are inevitably political in several senses. Throughout, the salaries paid would need to be sufficient to attract and hold the best type of man, and it would have to be a condition of service that resignation to enter employment in an industry with which a man had had any official dealings was forbidden.

In the methods by which such a service would work there is a strong analogy with the Foreign Service. There would be the central department to staff, as the Foreign Service staffs the Foreign Office. (Possibly it is more realistic to speak of the central departments than of one alone, since it is difficult to imagine the Board of Trade handling both its commercial responsibilities and the industrial policy of the Government; a Ministry of Industry will almost certainly be required.) From the central department the members of the Economic Service would be posted *en mission* to a great number and variety of "out-stations," where—the analogy here is with the Colonial Service rather than with the Foreign Service—they would provide leadership and stiffening for "locally" engaged staff. These "out-stations" would be of many kinds. There would be Industrial Boards and Commissions of various kinds, temporary and permanent, for which the Economic Service would provide secretariat and staff and, in some cases, members. There would be seats to be filled on the boards of corporations and companies where the State exercised a right to a watching brief. (There is no reason why seats on such companies as Anglo-Iranian Oil and the Suez Canal should be filled by civil servants only after they have retired.) Members of the Economic Service could be seconded to, or "bedded-out" in, public corporations—a valuable school of experience. They could be used as what Mr Herbert Morrison calls "efficiency auditors" wherever public funds are applied to private industry.

In general, such a service would provide a body of public servants cognisant of the general interests of the State and capable of mastering the problems of any industry, and of giving Ministers fully expert and impartial advice. From the public point of view it would be the means of ensuring that the community's interest was effectively asserted and that a coherent policy was pursued on all economic matters—an essential prerequisite, as has often been pointed out, of a successful full employment policy. From industry's own point of view such a service would be the means of ensuring that its problems were handled by Government Departments with real knowledge of the issues and without "bureaucratic timidity."

It is a commonplace of modern historians that an efficient and honest Civil Service is essential to the strength of a modern State. Germany in one way, and Britain in another, have gained immensely in this respect in the past century, and other countries have lost as much by the lack of a reliable machinery of administration. The home Civil Service has come in for a great deal of criticism in recent years. Much of this has been due to the fact that, designed to deal with general administrative and political questions, it has been driven by the circumstances of the age to tackle economic problems for which it is not suited. It would be a relief to the Civil Service, as well as a gain to the community, if these problems could be recognised as a distinct province of administration to be handled by specialists.

CENTENARY RECORD

A volume of essays entitled "*The Economist, 1843-1943*," which is mainly historical in character, has been published by the Oxford University Press, price 7s. 6d. (Orders should be placed through booksellers, and not with either the Oxford University Press or *The Economist*.)

International Trade Unionism

THIS week, the representatives of the British, American and Soviet Governments are meeting in Moscow to discuss highly important matters of military and political strategy. It seems more than a little illogical that whereas representatives of these three Governments can thus meet in conference, it has so far proved impossible to arrange any kind of meeting between the trade union representatives of the same three countries. There is a joint Anglo-Soviet Trade Union Committee, on the one hand, and there is a committee of the British Trades Union Congress and the American Federation of Labour, on the other; but there is no direct liaison between the American and the Russian unions.

Trade unions in Britain have become a recognised partner in war administration, while in Russia the trade unions are, and always have been, an integral part of the constitution. Each movement tends to reflect the politics and policies of its Government; and questions of international trade unionism in 1943 cannot be approached from any other angle than that of inter-Allied relations. At the Southport meeting of the Trades Union Congress this year, M. Shvernik, the Secretary of the All-Union Central Council of Trade Unions, urged the British to press for the immediate opening of a second front in Europe. He was repeating the demand which the Soviet Government has persistently put forward. When Sir Walter Citrine advised Congress to leave the time and place of the offensive to the military experts, and stressed the success of the bombing policy, he was echoing the views of Downing Street. The speech of Mr Isidore Nagler, delegate from the American Federation of Labour, reflected the present state of Soviet-American relations. If there were a second front in Europe in the Russian sense (described by M. Shvernik as meaning offensive operations which would divert a third or at least a quarter of Germany's military strength from the eastern front) many of the difficulties between British and Russian trade unions would disappear. Similarly, if Russia were at war with Japan, the relations between the American and the Soviet trade unions might well take a new turn.

The Soviet delegation at Southport suggested that the Joint Anglo-Soviet Committee should be extended to the unions of Allied countries and Latin America. This Committee was formed late in 1941, for the purpose of exchanging views and information, and providing regular contact and co-operation on trade union matters. The Committee was formed with a limited objective, and the General Council of the TUC are opposed to its extension; since, in any event, it would not be easy to call regular conferences of 38 trade union movements in wartime. Instead, the British advanced the possibility of convening a world conference "in order to promote the widest possible unity, in aim and action, of the international trade union movement," as soon as war conditions permit. This suggestion, which was adopted by the TUC, is less specific than the Soviet proposal. It does, however, represent an important decision which will be welcomed by the trade unions of other countries, especially those of Latin America which sent a telegram to the TUC asking for a world labour conference to be summoned.

The real difficulty lies deeper than geography and the war. Sir Walter Citrine said that the Soviet proposal was tantamount to the formation of a new International. The biggest obstacle is the relationship between the American and Russian trade unions. The Americans have consistently opposed the admission of Soviet trade unions into the International Federation of Trade Unions, on the ground that they are not democratic and free unions; and it has been feared that Russia's affiliation might strengthen Communism. At its Convention in Boston, the AFL has reaffirmed its decision not to join the Anglo-Soviet Committee, for these very reasons. The roots of this

distrust go back twenty-four years, to the Amsterdam Conference of 1919, when the IFTU was given its present constitution. The Soviet trade unions left the Federation and established their own International at Moscow in 1921, in opposition to the Amsterdam Conference, which they denounced as reformist in tendency. The organisation of Red unions, known as the Profintern, never made much headway in the west, even in Germany where the Communist party was relatively strong, though it gained some support in France. The preponderating influence was Russian, and it consisted mainly of a few Communist trade unions, minority groups and illegal associations. But ever since Hitler's accession to power, after Russia had joined the League and supported collective security, the Soviet trade unions have been prepared to associate with the counsels of world labour. This came nearest to success in 1939, at the Zurich Congress, when the British tried to get the IFTU to send an invitation to the Russian unions. The proposal was opposed by the AFL, and by the representatives of several smaller European nations, though it was supported by the French, whose Communist and Social Democratic unions had made an alliance in 1936.

In addition to the Soviet-American difficulty, there is the peculiarly complex position inside the American labour movement. Attempts made by the British to bring about closer co-operation between the American Federation of Labour and the Congress of Industrial Organisations have been abortive, and British intervention, with Sir Walter Citrine as go-between, appears to have given rise to considerable resentment. In the absence of co-operation between the two wings of the American movement, the General Council of the TUC decided to continue collaboration through its joint committee with the American Federation of Labour, with which the TUC has long had close and cordial relations, and which represents America on the IFTU. The CIO is excluded from representation on the International Federation, although it participates on such bodies as the International Metalworkers' Organisation. The Federation is largely a skeleton organisation. It was revived in London shortly after Dunkirk, when trade union leaders from occupied Europe began to arrive in England. Since it obviously could neither function normally nor hold its triennial congresses, it operates through an Emergency International Trade Union Council. This body has held two meetings so far, one in September, 1942, and the other in April, 1943.

This is the background against which the decision to consider summoning a world trade union conference has been taken—a background of chequered history and somewhat strained relations. The difficulties in the way of achieving international trade union co-operation are formidable, and many prejudices will have to be broken down. The first step would have to be the reconstitution of the present International Federation and the inclusion of the representatives of the Russian and all the American unions. The task of co-operation has perhaps been facilitated by the dissolution of the Comintern—the Profintern has apparently just been allowed to lapse. It is in the interest of future international relationships that the conference should be summoned expeditiously and be widely representative. As the end of the war approaches, the problems of freeing Europe, of relief and reconstruction, loom larger and will demand the greatest measure of international trade union co-operation. The united trade union movements of the world could count some 65 million members.

Trade unionism, by its very nature, must have an international, and not a national, outlook. Its international rôle has been stressed by Mr Bevin, who at Southport urged that the unions must see that they are "in on" the peace treaties. A new world order cannot be established if the labour movements of the world march out of step.

NOTES OF THE WEEK

France and Italy

The recognition of Italy as a co-belligerent met with an immediate rejoinder from Algiers. A semi-official communiqué declares, among other things, that it is militarily inexpedient. Marshal Badoglio, the argument runs, will not be able to make any contribution to the war that would justify the step now taken by the Allies: the fighting capacity of the Italian army is non-existent, and the Italian navy had already surrendered. But this is not the main point of the protest. An analogy is drawn between Darlan and Badoglio and objection raised to the granting of rewards for twelfth-hour conversions to the Allied cause. Algiers was not consulted, and does not feel itself bound by that decision of the Three Powers. This view is understandable. France was the main sufferer from Italian intervention, and it would seem fair that Frenchmen should have had a say in settling the terms of Italian redemption. On the question whether General de Gaulle, in fact, represents France there are, of course, differences of opinion; but the omission to consult the French Committee of National Liberation in this case hardly squares with the decision of the Three Powers, Russia, Britain and the United States, to include a French representative on the Mediterranean Commission. France has an obvious and vital interest in the future relation of naval forces in the Mediterranean. The French navy was scuttled at a time when the passage from Toulon to Algiers or Oran was barred, not only by the Luftwaffe, but also by the Italian fleet, then co-belligerent on the other side. The assurance that Italy's co-belligerency does not entail any change in Italy's status as a defeated enemy or in the terms of the surrender may not carry full conviction with Frenchmen, who may still ask what is, after all, the practical meaning of co-belligerency. On the other hand, General de Gaulle's objection to the new Allied attitude towards Italy should not be taken as an indication of an anti-Italian policy. His speech in Ajaccio on October 8th was couched in conciliatory terms; and, some observers believe, the idea of a Latin bloc, which tempted so many French politicians in the past, may still find a place in French politics after the war. It may be wrong to read too much into General de Gaulle's conversations with Count Sforza or into his reported decision to send an envoy to Madrid; but both episodes are significant indications of the revived activity of French diplomacy.

The Balkan View

Objections to the recognition of Italy as a co-belligerent have not come only from Algiers. The Emperor of Abyssinia has not minced his words in describing the record of Marshal Badoglio—a record which would clearly qualify him as liable to punishment as a war criminal, if the continuity of the war from the invasion of Abyssinia to the present stage had been accepted by Allied diplomacy. But, apart from this moral point, the protest from Addis Ababa raises no specific political problems. Abyssinia and Italy, fortunately enough, possess no common frontiers which might make for diplomatic conflict. The only thing which Haile Selassie and Victor Emmanuel once possessed in common was the title of the Emperor of Abyssinia. Provided there are no more over-zealous Italian officials to insert the full title of their sovereign, as it was written in the last years of Fascism, into official documents, this "incident" may be regarded as closed. A more delicate situation is bound to arise over the Greek and Yugoslav protests and claims. The formula accepted by anti-Fascist Italians is "return to the 1919 frontiers and renunciation of Fascist acquisitions." In some instances, the formula provides clear guidance for the solution of territorial disputes; in others, however, it does not. Albania and Corfu are clear cases. They were both conquered and legally incorporated by Italy after the advent of Mussolini. But there are territories which were acquired long before the Fascist era but not formally incorporated until later on. The Dodecanese Islands and Rhodes were occupied by the Italians as far back as 1912, but only recognised by the other Powers as Italian possessions in the Treaty of Lausanne of 1923. Does the formula "frontiers of 1919" imply the cession of

those territories to Greece? Count Sforza leaves no doubt about the sincerity of his views when he states:—

When I speak of the national integrity of Italy, I admit that the Dodecanese Islands were never an integral part of our country. Mussolini's crime of invading Greece was so stupid and unpardonable that the free Italy of to-morrow will gladly cede the Dodecanese to the Greek nation.

Fiume is another dubious case. Ought it to be incorporated in Yugoslavia, as the Yugoslavs are certain to demand, or would its reconstitution as a free state be preferable? The Greeks claim some slices of Albania. Is this territorial demand, which has nothing to do with Italy's aggression against Greece, to be granted, simply because Albania was unfortunate enough to fall a victim to Fascist aggression somewhat earlier than Greece?

Peaceful Solutions

The possibility of lasting solutions for these problems depends only slightly on Italy's being or not being "co-belligerent." Primarily, it depends on public opinion in the countries concerned. The defeated aggressor country must prove its change of heart by adopting an attitude similar to that represented by Count Sforza. The victorious victims of previous aggressions will themselves have to learn the art of moderation if they do not intend to sow the seeds of new wars by excessive territorial demands and by thirst for vengeance. The character of the regimes which the Allies will help to establish in the Balkan countries and elsewhere will play a decisive rôle in moulding public opinion there. Military dictatorship, the rule of authoritarian cliques, would almost inevitably be accompanied by the whipping up of frenzied nationalisms among the liberated peoples. Professional generals, especially those who will have spent the greater part of the war in inactivity, will need cheap laurels to bolster up their dubious prestige. In territorial acquisitions, which their countries will hardly be able to digest, they are most likely to find the badly needed elements of their artificial greatness. A Greek Government, truthful to the tradition of Metaxas, will tend to raise the most extravagant territorial claims; and the reported "resignation" of the Greek Government in Cairo in protest against the recognition of Italy's belligerency by the Allies gives a foretaste of the policy which may be pursued. Gestures of this kind can only result in the inflammation of nationalisms in the Balkans and in a new series of the familiar local wars after the end of the world war. It is hardly likely that the representatives of the popular movements of resistance, whom the Greek King and the Prime Minister, M. Tsouderos, have refused to include in the Government, would have agreed to participate in so incalculable a policy. The adherence to the Metaxas tradition by the Greek Government has already resulted in mutual fighting between two sets of guerrillas, a feature already familiar in Yugoslavia and Poland. To steer the authoritarian course means to incur the danger of civil strife and external adventure in countries which will, anyhow, be exhausted by war and enemy occupation. Thus some of the Allied countries may after victory become far less democratic than the Axis countries after defeat. Count Sforza's voice has already a more progressive sound than the voice of M. Tsouderos.

In Conference

The Three Power Conference in Moscow started in an atmosphere of calm, free from the polemical comments which had filled the columns of the Russian press for some weeks past. The negotiations are expected to last about a fortnight, which seems to point to a businesslike and detailed agenda. Whether military or political matters figure more prominently on the agenda it is impossible to say. The Conference appears to be regarded as the job of the Foreign Ministers exclusively—Marshal Stalin is likely to remain in the background and to reserve his contribution for the projected meeting with President Roosevelt and Mr Churchill. Guesses about the outcome of the Con-

ference will probably fluctuate between pessimism and optimism, simply because the negotiations are going on in the complete secrecy that most stimulates the imagination of journalists. Probably the Conference of Ministers will settle some points and leave the most debatable issues to the more authoritative meeting of the Heads of States; and expectations of sensational results from the Conference may well be disappointed. A good augury for the Conference may perhaps be seen in the reported reply of the Soviet Government to the British-American suggestion of the resumption of diplomatic relations between Russia and Poland, in which the Soviet Government expresses its willingness to put an end to the abnormal state of "suspended relations" with another Allied Government. A concession has also been made, according to report, on one of the points which has caused considerable uneasiness among the Poles; that is, it is agreed to recognise the Poles who have been transferred to Russia from Western Poland as Polish citizens. Apparently the Soviet attitude towards former Polish subjects from Eastern Poland remains unchanged, which suggests that Moscow is not prepared—at least for the time being—to curtail, let alone to withdraw, its territorial claims.

* * *

Fresh Start in India?

It is not necessarily any aspersion on Lord Linlithgow to say that the end of his protracted period as Viceroy, completed this week, is a great opportunity for both India and Britain. Nothing has been plainer during the past four years, when war conditions have harmed, first, the polity and now, through inflation and famine, the economy of India, than the fact that Indian distrust has become attached to British personalities—to Lord Linlithgow and Mr Amery especially. Political judgments are seldom fair, and history will decide merit or blame. Meanwhile, the melancholy procession of events—which began with the maladroit drafting of India, unconsulted, into the war; went on to the withdrawal of Congress in a huff from provincial administration; proceeded, despite negotiations, to the wretched deadlock which ended the Cripps Mission; and passed on to the imprisonment of Mr Gandhi and his colleagues after threatened revolt—has taken perhaps the ugliest turn of all. The only way to end the dreadful Bengal famine is to provide sufficient food at prices which poor people can pay. Months too late, food is being shipped to India, and exports to the Middle East have been stopped. The problem of price control is apparently much more difficult. The remarkable Indian war effort has been financed by means which have multiplied Indian purchasing power, while the stock of goods for purchase has fallen very sharply. Whatever the responsibility for the failure to mobilise, move and distribute India's food resources—and the provincial administrators, traders and growers, all Indian, must bear a big share—Britain and the British authorities will be held responsible, politically, for those who die of starvation from now. This is no time for moralising, but for the promptest and firmest action. Out of this latest episode, as out of the other Indian misadventures of the war years, one fact emerges clear as day: there has been an almost incredible lack of both foresight and understanding, not only on the British side. Perhaps Lord Wavell can bring a new sympathy and forthrightness to British policy; he has to hand an Executive Council which Lord Linlithgow has very largely Indianised and made responsible. If Lord Wavell fails, the last years of British rule in India will be shabby and embittered.

* * *

Electoral Machinery

The Parliament (Elections and Meetings) Bill which was presented to the House of Commons last week is concerned exclusively with the machinery of elections. Its object is to give legislative effect to the Government's recently announced decision to establish a system of "continuing registration" for civilian electors and a Service register for members of the armed forces and merchant seamen. Such a register should "reflect the shifting state of the population which now exists and may be expected to continue into its immediate postwar period." The Bill provides for a residential qualification of two months and brings into operation the national registration machinery. Service voters would be enabled to vote by post or by

proxy, as at present, and the Bill would cover seamen and civilians engaged on war work abroad. Most of its clauses deal with technical and administrative details, and the Bill is in the nature of an emergency wartime measure. It is incredible that it should have taken so long to devise what seems a comparatively straightforward scheme for bringing the electoral register up to date. The Bill does not go into the more fundamental issue (the second aspect of electoral reform on which the Vivian Committee reported)—the redistribution of Parliamentary seats. This matter is, however, bound to be raised when the House discusses Mr Morrison's Bill. There is general agreement among the parties that the present basis of distribution, which dates from the Speaker's Conference of 1917, is in drastic need of reform, the most glaring examples of anomalies being Romford, which returns one member, and Southwark, which has three. But there is less agreement about the method and timing of reform. Labour on the whole should stand to gain from a redistribution based on population; but on the basis of one member to 54,000 voters which would probably be adopted there would be a loss of about 16 seats in the London boroughs, that have long been a Labour stronghold. If the L.C.C.'s own rebuilding plan goes through, London's population would be further reduced. It is argued, with some justification, that the present distribution after evacuation, call-ups, transference may be no criterion for the future distribution, which cannot be foreseen, and that the Government should first give a decision on the Barlow and Uthwart Reports. But 1939 is surely a better basis for the next crucial election than 1917, and the issue transcends party politics. For the Labour Party to obstruct reform for party reasons would be disastrous folly. One solution would be to effect a redistribution on the 1939 basis, making provision for periodical and automatic revision, so as to ensure that the distribution of seats kept pace with the distribution of population.

* * *

Pay-as-You-Earn

The Government's decision to substitute a pay-as-you-go system of collecting income-tax for the present method of deferred collection was widely welcomed during the second reading of the Wage Earners' Income Tax Bill last week. Criticism fastened on two points. First, it was urged that the application of the scheme, as described in the White Paper (Cmd 6469), should not be confined to weekly wage-earners, but extended to all salaried employees. Sir John Anderson, Chancellor of the Exchequer, then expressed his willingness to extend the application of "pay-as-you-earn" to persons in receipt of salaries up to £600 a year. There is no justification for discrimination between existing taxpayers; as it is, the limitation will not in any case apply to new taxpayers starting with salaries of £600 or less, for the Chancellor has adopted the principle, "once on pay-as-you-earn, always on pay-as-you-earn." During the committee stage of the Bill, on Wednesday, an amendment, designed to apply "pay-as-you-earn" to all persons charged under Schedule E, was strongly pressed by members of all Parties. Sir John, in reply, expressed his sympathy with the principle of non-discrimination and wisely promised to reconsider the scheme before the Bill reaches the report stage. He raised no objection on administrative grounds. The second criticism is not so much a criticism of principle as of arithmetic. The examples given in the White Paper, and in a letter to *The Times* on October 9th by Mr A. T. Haynes and Mr R. J. Kirton, show that the tax tables in the original scheme do not in fact achieve what they are intended to achieve and what the White Paper claims they would achieve. Instead of tax deductions being "lower in the weeks in which the wages are lower and higher in the weeks in which the wages are higher," they often are not proportionate to weekly incomes at all. The deduction of substantially different sums on almost identical wages in different weeks would cause great irritation and perplexity and bring the whole system into disrepute. The absence of the pretended direct correlation between tax deductions and wages is a serious defect. Fortunately it is a defect which is not inherent in the cumulative principle of calculating tax, and it is one that can be removed simply by better arithmetic. During the second reading of the Bill Mr Ascheton, Financial Secretary to the Treasury, promised that the tax tables would be recast "to eliminate some of this trouble as far as possible."

Democratic Planning

It is refreshing indeed to find an expert planner who is anxious to give the people what they want and not what the professionals think they ought to have. There are, of course, limits to democratic choice in technical matters, simply because the ordinary citizen is not technically skilled; the details of world currency arrangements, for instance, cannot be decided by majority vote. But the objectives, even of currency plans, must be decided by the citizens; and in the case of physical planning—that is, the design and arrangement of the places in which ordinary men and women have to live and work—democratic choice should have the deciding voice in the details as well as the objectives. The responsibility of town and country planners, therefore, is to focus public opinion upon these problems in order to marry popular preferences with expert programmes. This was the important point made by Mr F. J. Osborn, of the Town and Country Planning Association, in a recent speech to the Town and Country Planning Summer School; he is worried about the extent to which planning programmes and popular preferences have got out of step since the bomb damage done in 1940 and 1941 made rebuilding a matter of common concern and widespread enthusiasm. Mr Osborn has already made a distinctive contribution to town planning principles on the economic side, by his demonstration to all kinds of audiences, including the Barlow Commission, of the inevitable economic effects of business congestion in city centres, in terms of the choking of traffic, the sprawling of suburbs, the waste of time, energy and health, and the destruction of amenities. Now, he has turned to the politics of planning.

*

There is, he argues, an almost universal desire for better living conditions, a revolt against squalor and congestion. But, he claims, the majority of planners are translating this desire into terms that have no reference in the popular will and imagination; they emphasise specialised problems of design and lay-out, architectural and other fashions, while the mass of the people, with whom they are out of touch, remain prepared to accept suburbs, ribbon building and long journeys to work, in return for decent houses and gardens. In other words, Mr Osborn believes that, in their preoccupation with "design," these planners have ignored the individual home, the house and garden type of dwelling that most ordinary families want and need. "I am myself a partisan in this matter of aims," Mr Osborn admits that his "bias" is against the provision of flats instead of houses in order to make "tidy" plans possible, and other planners can reply, with undoubted justification, that the rebuilding of cities entirely in terms of houses and gardens is an impracticable proposition. But Mr Osborn is surely right in his contention that planning must be practical politics, not a cult, and that the bias should always be towards what the people want—which is, without doubt, houses with gardens, wherever possible.

* * *

The Catholic Schools

Further criticism has been made by the Roman Catholics about the White Paper proposals for the non-provided schools. In an address last Saturday, Dr Downey, Archbishop of Liverpool, described them as unjust, as placing a staggering burden upon the Roman Catholic community, as asking them to undertake a huge financial liability,

the precise magnitude of which it is impossible to forecast, the only certainty being that it is something quite beyond our capacity to bear.

Dr Downey was himself unfair to the Board of Education's proposals, or he would have admitted that they improve the financial position of the non-provided schools considerably. At present, the churches have to provide the cost of all repairs, alterations and improvements to their elementary school premises, except repairs which come under the heading of fair wear and tear, and are then undertaken by the local education authority. The latter also pays the teachers' salaries and is responsible for other items of maintenance. Under Alternative B of the White Paper, which was expressly drawn up for the benefit of the Catholic community, maintenance charges will continue to be paid by the LEA, and in addition a 50 per cent grant will be made from the Exchequer for alterations and improvements,

while, as regards repairs, the churches will only have to be responsible for external repairs—and half of these will be met by the Exchequer—the LEA paying the cost of indoor repairs and repairs to playgrounds and so on. Thus, only a small part of the upkeep of the schools will rest on the churches, which, however, will continue to appoint their own teachers and retain the right to give denominational religious instruction. Moreover, these proposals will also apply to Catholic secondary schools, which now receive a *per caput* direct grant from the Board. It is difficult not to feel that Dr Downey's prediction of a huge financial liability was, in these circumstances, a little misleading, particularly as steps are being taken to standardise the planning of schools, which should limit "the precise magnitude" of the liability.

*

It is the case of completely new schools that is, as Dr Downey said, really troubling the Catholics, because they will have to bear the whole cost of building them. Yet they should realise that the financial assistance already given to the churches is considered over-generous by a large section of the people. If the state were to use the taxpayers' money to make grants or interest-free loans for the building of new schools by all the various religious denominations—for it could not be restricted to Catholics alone—it would merely be perpetuating and aggravating the evils of the dual system and would create widespread opposition. Moreover, the Catholics so far seem to have been able to borrow the money they want for educational purposes from other sources. Between 1903 and 1908, the number of new Catholic schools increased by 208, when those belonging to other denominations fell by nearly 4,000.

* * *

Ukrainian Manganese

Nikopol, the centre of the Ukrainian manganese district on the west bank of the Dnieper, is 45-55 miles from the present battle front between Zaporozhe and Melitopol. Before the war this district supplied more than a million tons of manganese ore of an average metal content of

JAEGER

Facts

1. Wool does not become damp like cotton or linen.
2. Wool is warmer in winter and cooler in summer because it is a slow conductor of heat.
3. Wool ventilates the skin, so keeps it in good condition.
4. Wool is just as important in bed.
5. Wool therefore is best for health and comfort.

J.W.B.

30 per cent; and roughly one-third of Russia's total manganese output, the biggest in the world, came from the Nikopol mines. Manganese is an indispensable ingredient in steels that must be particularly resistant to shock and wear. For more than two years Germany has been in possession of the Nikopol area which was during that time far removed from the battlefields; and there is no doubt that special efforts were made to put the mines back into working order. In November, 1942, the German press reported that a total of 165,000 tons of manganese concentrates containing 48 per cent of metal had already been shipped to Germany, that is, roughly a third of the ore produced annually before the war. At the end of August this year the *Deutsche Allgemeine Zeitung* stated in general terms that an appreciable output had been achieved. On the other hand, it was admitted that, because of the destruction of the processing plants, output had not reached expectations. It seems likely that, under German administration, the Nikopol mines produced only a small part of its former output. During the two years total output of ore may have amounted, on the basis of the various German statements, to some 300,000 tons. Between 1935 and 1938 Germany imported, on an average, 400,000 tons of manganese ore a year. Home production was negligible. In other words, Germany secured from Nikopol in two years the equivalent of three-quarters of its pre-war annual imports. Austria and Czechoslovakia produced 200,000 tons of ore before the war. If the pre-war output of Roumania, Italy, Hungary, Yugoslavia, Bulgaria and Greece is added, the pre-war production of Germany and the countries under German domination amounted to 300,000 tons of manganese ore, again three-quarters of Germany's pre-war imports. Probably production in Slovakia, Austria and Roumania has been considerably increased. The likely loss of the Nikopol area will throw Germany back on the resources available before the attack on Russia. This means considerable fresh difficulties, but no immediately crippling effect.

Bombs on Ball Bearings

The Flying Fortress raid on Schweinfurt on October 14th struck at the heart of German war production. Its objective was the destruction of the important ball and roller-bearing manufacturing plants of the Kugel Fischer AG and of the Vereinigte Kugellagerfabriken AG (which includes the Fichtel and Sachs company), the large German subsidiary of SKF, Goeteburg, the Swedish ball-bearing combine, which is the parent company of most of the world's manufacturing plants. Ball-bearings and roller-bearings are vital for every moving part of military equipment, such as aeroplanes, tanks, guns and armoured vehicles. A serious reduction in the supply of ball-bearings would cripple output much more effectively and rapidly than the destruction of individual aircraft, tank or other munition assembly plants which, normally, produce only a comparatively small proportion of total output. The effect of the raid on Schweinfurt depends on the actual damage done to its factories and on the proportion of Germany's total supplies of ball-bearings obtained from them. Photographs taken suggested that at least half of Schweinfurt's ball-bearing and roller-bearing manufacturing capacity had been destroyed; and later reconnaissance indicated that the damage was even more extensive. Last Sunday Brigadier-General Anderson, Commander of the United States Eighth Army Air Force, Bomber Command, pointed out that all the works had stopped work, and that it would take some time to restore even "25 per cent of normal productive capacity." According to this account, supplies from Schweinfurt have been virtually eliminated, at least temporarily. General Anderson also said that the Schweinfurt factories contributed "over half of all Germany's bearings." This estimate must be regarded with some caution, for Germany, like Britain, has attempted to reduce the vulnerability of vital productive capacity and to ensure continuity of supplies in case of damage by decentralisation. The fact that several large concerns were domiciled in Schweinfurt does not necessarily mean that all their plant was in that town. There are factories in other industrial centres whose combined output is substantial, but it is impossible to give any precise estimate of their contribution to total supplies. Schweinfurt was the central source of supply, and even if output elsewhere can be stepped up, it cannot be increased quickly. Moreover, it is quite possible that Schweinfurt supplied more than half of the bearings used in specific mechanisms,

and that its destruction will seriously affect the manufacture of these. Apart from its own supplies, Germany also obtains ball-bearings and roller-bearings from Sweden, Switzerland and France. Sweden supplied Germany mainly through its subsidiary, and it is doubtful whether direct exports cover more than 5 per cent of German needs—though it should be added that the type of bearings supplied by Sweden is vital to Germany. Switzerland's contribution is considered to be less important than Sweden's, and that of France has been substantially reduced as a result of the damage caused last September to a factory in Paris, which apparently produced half of the output of France. In sum, while anything like a detailed assessment of the effect of last week's raid on Schweinfurt upon German war production is impossible at this stage, such evidence as is available suggests that it may be very serious indeed.

Producers' Agreements

The defence of agreements among producers creating *de facto* monopolies has shifted on to fresh ground. It has been argued, in an article in *The Times* and elsewhere, that cartels, international agreements on production and prices, are a boon to all. Output is stabilised; costs are reduced; prices are steadied. This can, of course, be so; producers can secure enhanced efficiency by working together, and the consumer may benefit. The test is whether he does or not. *The Times'* article argued that "the more stable price level may be lower than the mean of an unregulated curve of high and lower prices." So, indeed, it may be; but is it? There is no case at all for relying upon the word or "conscience" of monopolists, national or international, about their desire to employ their plants fully, and so to reduce costs and prices. What is imperatively needed is ways and means of putting these aims to the test on the community's behalf. "The higher gain in reduced costs is forgotten by critics," says *The Times* correspondent; is it also forgotten by the cartel producers? Publicity for all cartel agreements, proceedings, production and price arrangements is indispensable. In addition, Government representatives should be present at their meetings, and expert Government bodies should supervise their activities and check their prices. The apologists of national monopolies and international cartels now accept these controls in principle; and their offer—made in the heat of argument, it is true—should be promptly accepted.

Retailers' Poll

In a poll taken by the National Chamber of Trade retailers have voted, by four to one, to retain a system of licensing for shops after the war. The main reason given is that the restriction of numbers this way would be "preferable to the chaos and inequity otherwise to be feared." A breakdown of the votes reveals one very significant fact: while the trade associations voted by six to one for licensing, individual retailers supported it by only two to one; shopkeepers have never been so sure as their associations about the virtues of restraining trade, ostensibly in their interests. The only doubt expressed by established retailers about the future of licensing is the dislike of its operation by the Government; it is widely held that local committees of restraint of shopkeeping, its preservation for present shopkeepers, with an exception in favour of admitting ex-Service men, an urgent matter which is, however, being used to confuse the issue. The issue is, quite simply, that by one means or another would-be shopkeepers are going to be debarred from business, if the trade has its way. It is an under statement to say, as the Chamber suggests, that "such a measure of recognition and assistance would also involve a measure of control"; and the more directly licensing powers are exercised by interested parties, the greater and more stringent must the measure of Government control be.

Post-War Exports

After the last war, two reports, one in 1918 and the other in 1925, laid stress on the need for state aid in the improvement of commercial facilities for British traders abroad. The same need will arise when this war ends. The first requisite for successful exporting is, of course, efficient

manufacture; and skill, enterprise and efficiency are far more required than State aid to secure this. But, for the next step, selling abroad, some help in strategy and tactics is demanded. Mostly, the export problem is discussed in defensive terms, with proofs of the necessity of protection against foreign competition, fair or unfair. The positive technical points made in a recent article in the journal *Engineering* are much more relevant. Even the best and cheapest goods cannot be sold abroad unless they are the goods that foreigners want. Better Government assistance, through the foreign and consular service, in examining markets and selecting agents is desirable; indeed, it would be practical wisdom to attach to every Embassy and Consulate a commercial department, staffed by men with practical experience to advise manufacturers and traders. Nor will it be possible to sell even the goods that foreign purchasers want if the exporters of other countries can give better terms of credit. The Government must be prepared to extend credits and take risks in sound business transactions much more flexibly and freely than in the past. As in so many other instances, such a policy will require the recruitment and use of quite new kinds of administrators, a problem which is examined, for the home Civil Service, in an article on page 544.

Standby Duties

Last Saturday's statement by the Ministry of Home Security limiting stand-by duties in the Civil Defence services is welcome so far as it goes. But it is doubtful whether it will do much to relieve the strain upon part-time personnel, who are already fully occupied in doing their daily work. In the first place, it is simply a request to local authorities; it will be construed and action taken upon it by full-time salaried personnel, whose attitude to the question is very different from that of the part-time unpaid volunteer who still does the bulk of the night-time work, at least in the wardens' service. But even if the spirit, as well as the letter, of the Ministry's intentions is carried out, there will remain two main grounds of complaint, in both of which the local authorities have fallen far short of the intentions of the Ministry—although where the fault lies is another matter. They are the character of the training and the conditions during duty at the post. On the former point there is more than ample insistence, extending in some cases to threats of prosecution for non-compliance (which should not be gratuitously extended to volunteers), upon attendance at lectures and exercises, but very little attempt to ensure that either the lecture or the exercise shall do anything to increase the efficiency of those who attend. The supply of good lecturers is limited; but, even if it is assumed that civil defence personnel are incapable of absorbing information through the written word, it should not be impossible to supply those who have the time to lecture with the necessary material to make their statements comprehensive, and to attempt some measure of codification of the host of disjointed instructions at present issued. Conditions at the posts, again, are frequently not such as to allow those who are not required to be awake to obtain adequate rest, and the practice of keeping one watcher awake for every square mile of territory covered, as is frequently done in the case of wardens, might well be reconsidered; one in every four, or even nine, square miles would be equally effective to give a district alert on the rare occasions when the sirens fail to provide adequate warning.

The Hereford Case

Hard on the discussions in the press about the right age for magistrates of juvenile courts came the rebuke given by the High Court to the juvenile magistrates of Hereford. These magistrates had convicted a boy of 11 of breaking and entering certain premises, stealing goods and doing malicious damage and had sentenced him to be birched, taken away from his parents and handed over to the control of the local education authority until he was 18 years old. This was a monstrous and stupid sentence to impose on an eleven-year-old child, but it was not only the terms of the sentence but the manner of the conviction that was at fault. In the words of the Lord Chief Justice, the action of the justices went far beyond irregularity of procedure and amounted to a denial of natural justice. . . . There was not only a neglect of the statutory provisions, but a lamentable breach of the principles for the administration of the criminal law with which all justices ought to be familiar.

Everything was done wrong that could be done wrong. . . . The proceedings were irregular throughout and the conviction must be quashed.

To the discussion on the right age for a magistrate of a juvenile court, the Hereford case contributes very little, though it is worth noting that all three magistrates concerned were aged about 60. The gross blunder against justice and good sense that they committed is just as likely to have occurred if they had all been ten or more years younger. A wise magistrate and a humane magistrate does not lose his wisdom and his humanity with his youth, provided that his capabilities are unimpaired, and the lesson of the Hereford juvenile court bench is not that the magistrates ought to have retired when they reached the age of 50 or 55, but that they ought never to have been appointed at all.

A further point raised is whether the principle of bringing children before juvenile courts for all offences, major or minor, is having the effect that was intended. Juvenile courts were set up, said the Lord Chief Justice in his judgment, to secure the welfare of the child. The very worthy aim behind them was that an attempt should be made to get behind the charges of destructiveness, pilfering and so on, to find out the home and social background of the young offender, and to treat the case accordingly. But, owing to the character of so many juvenile benches, all that is happening is that far more cases are being brought to the courts without any advantage accruing to the offenders; in fact, the psychological atmosphere of the whole proceedings often leaves the child in a worse state than before even if he is discharged or placed on probation. If he is so unfortunate as to become a *cause célèbre*, the daily press, for its own ends, then makes him a national hero and in the warping of his character finishes off what the magistrates began.

Workmen's Compensation

The Workmen's Compensation Bill came up for a second reading this week. It was first planned to come into

NEWS of WHITE HORSE

*Supplies of White Horse were growing
old when this war was young*

If you have wondered how it is that you can still get White Horse Whisky from time to time, and how it is that the quality and flavour of this famous whisky were never better than to-day in this fifth year of the war, here is the answer in one word . . . age.

All the flavour, fullness and smoothness of the White Horse you have known in the past is in the White Horse you may buy to-day. For to-day's White Horse is itself a whisky of the past. In the early days of the war it was already growing old. It has been ageing ever since.

It was the stocks of maturing whisky, laid down in years gone by with a prudent eye on the future, which provided the great blend that is White Horse to-day. And our unrelaxing, provident care of the whisky still maturing is your assurance that this famous Scotch will remain as always — whisky fine as a fine liqueur.

operation on August 30th, but had to be postponed. The Bill is admitted on all sides to be a compromise, and it has been accepted by the Trades Union Congress and the Labour party in that sense, that is, without prejudice to the fundamental reform of the Workmen's Compensation Acts which is so long overdue. Under the terms of the Bill, the rate of compensation for single persons is increased from 35s. to 40s. a week, at the end of thirteen weeks of incapacity; married men are to receive an increase from 35s. to 40s. from the beginning of incapacity, which will be raised to 50s. after thirteen weeks; children's allowances are raised from the present level of 4s. for the first two children and 3s. for the others to a uniform rate of 5s. per child; and the minimum in fatal cases is raised from £200 to £300 and the maximum from £300 to £400. These increases would, it is estimated, cost the employers from £16 million to £20 million a year. The Bill has been severely criticised by Labour, and in particular by miners' M.P.s. They consider that the amounts of the increases are totally inadequate and that the proposals are an unjustifiable discrimination against the unmarried man. In coalmining, in particular, a high proportion of accidents happen to youths of 18-20, and over three-quarters of the accidents are of less than thirteen weeks' duration. The miners are also pressing for an increase in the allowance for fatal accidents and for a revision of the whole procedure of litigation; they want to substitute a Board for single referees. Compensation was one of the demands raised by the Mineworkers' Federation in their recent memorandum to Major Lloyd George. The long-term reform of the Acts will probably give rise to equal controversy. Workmen's compensation was the chief point of disagreement between the Beveridge committee and the National Council of Labour. The Beveridge proposals are certainly more generous than the present rates or those proposed under the new Bill. Under the Beveridge scheme a single man would get 24s. a week; a man, wife and two children would get 56s. a week during the first 13 weeks, and thereafter a disability pension of two-thirds of the man's earnings up to a maximum of 76s. and a minimum of 56s. per week. At present a man earning £3 a week and over with a wife and two children gets 43s. and, under the new Bill, 50s.; after thirteen weeks, they now get 43s. and would under the new Bill get 50s., or 60s. in the case of earnings of £4 a week and over. Labour's proposal is 30s. for a single man, four weeks instead of thirteen weeks before the disability pension is introduced, and 75 per cent instead of 66½ per cent of earnings with a maximum of £5 a week and a minimum of £3 a week.

Shorter Notes

Lord Beaverbrook's report to the Lords on Wednesday about last week's informal Commonwealth Conference on civil aviation was encouraging. Complete agreement was reached, as it had been earlier by Mr Churchill and President Roosevelt, but nothing will be decided until an international conference can meet—including, particularly, Russia; and "any international air transport authority" will be associated with, and responsible to, "any United Nations security organisation which may be established."

The third agreement for the provision of Allied supplies to Russia was signed in London this week. It continues the existing arrangements, but for the first time Canada is one of the signatories. Hitherto, Canadian supplies have formed part of the commitments of the United Kingdom or the United States, and the recognition of the Dominion as a supplier in its own right is a measure of its increasing industrial importance.

In a debate on the Fire Guard Regulations, 1943, this week, Mr Herbert Morrison announced that payment for fire guard duty is to be standardised. Hitherto, whereas most fire guards are paid 3s. subsistence allowance a night, some, who entered into agreements with their employers before fire guard duty became compulsory, are paid considerably more, and the existence of different amounts of pay among the same body of fire guards has caused a great deal of dissatisfaction. From about next April 1st, all fire guards will be paid the standard rate of subsistence allowance.

On Wednesday, a meeting of representatives of the Governments of Australia, Belgium, Canada, China, Czechoslovakia, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, South Africa, the United Kingdom, the United States and Yugoslavia, and of the French Committee of National Liberation, decided on final arrangements to set up in London a Commission for the Investigation of War Crimes.

AMERICAN SURVEY

The Senate Goes In

A statement closely resembling the Fulbright Resolution has been presented by a sub-committee to the Senate Foreign Relations Committee. The operative sentence reads:

It is resolved by the United States Senate that the United States, acting through its constitutional processes, shall join with the free and foreign nations in the establishment of an international authority with power to prevent aggression and to preserve the peace of the world.

Even those who had hoped for a more forthright endorsement of the use of force, and deplore the cautious wording, agree that anything more drastic would stand small chance of securing a two-thirds majority in the Senate. In its present form, Senator Connally has expressed his confidence that it will be adopted. Meanwhile, the Senate has set machinery in motion for hearings on Lend-Lease before the Truman Committee and the Appropriations Committee. According to Senator Nye, all funds made available to foreign countries will be investigated, whether through Lend-Lease or other agencies. The charges which have made the greatest impression and probably will be the subject of the hearings appear to be these: that Britain has taken credit due to the United States for Lend-Lease supplies; that she has resold Lend-Lease products abroad; that she has accepted under Lend-Lease supplies like

petroleum which the Empire could provide; that Britain has been reimbursed for some cash purchases, which were eventually charged to Lend-Lease; that there is no guarantee of access after the war to airfields built abroad by the United States; and that, finally, reverse Lend-Lease is not all it might be. No doubt if the investigation is full and free, the air may be cleared, although it should be said that Senator Nye's participation is no guarantee of freedom from bias. That bias is not, unfortunately, confined to Senators. The most alarming thing about many of the statements attributed to the five Senators and to critics of Lend-Lease like Senator Ellender is not the specific charges themselves or the hard feelings they cause. It is the way they tend to confirm and reflect the suspicion of other countries which as yet is endemic in the United States. No matter how clearly a charge is shown to rest upon faulty or incomplete information, there are too many Americans who will persist in thinking "no matter about the figures; the underlying intuition is right; no smoke without fire."

Common Ground

It is very striking that in their remarks on foreign policy last week both Mr Willkie and Mr Sumner Welles spoke of the dangers of exclusive alliances, and urged that all the material and moral resources of the United States

should be bent towards creating a firm understanding between the four Great Powers as a nucleus round which there can be built a world organisation of all the nations. Both saw, as the only alternatives, chaos or a temporary balance of power system which would divide the world and lead once more to war. Both emphasised that the importance of security from aggression was to provide a basis for the expanding economic activity that is the only permanent guarantee of peace. Mr Willkie's address is widely regarded as the opening of his election campaign for 1944; it followed the form of a political platform and dealt largely with the future of the Republican Party. Mr Welles, on the other hand, was speaking purely on foreign policy to the Foreign Policy Association, and he had more scope for developing his ideas. Briefly, these were that the "irreducible minimum" which Americans must demand of victory is security from future aggression, security for American institutions, and the development of American resources. In his view, this requires that, in the near future, the four Great Powers come to a clear-cut agreement covering the task of immediate post-war policing; arrangements for the reduction of armaments; a policy of realistic justice for the Axis Powers; an understanding that none would take independent action affecting the sovereign rights of any nation without the concurrence of the other three; and, finally, steps towards the creation of a universal world organisation in which the proposed Four-Power Pact would eventually be merged. Mr Welles argued that, without this final step, the securing of the confidence and participation of the rest of the world, such a Four-Power Alliance stood in danger of becoming a Four-Power Dictatorship. Both Mr Welles and Mr Willkie made powerful pleas for the Government to make clear its belief in these objectives, and to take a bold lead. It is all to the good that there should be this pressure, from such diverse sources, for a more courageous stand on foreign policy than the Administration has yet felt it prudent to adopt. To this end, Mr Welles and Mr Willkie make an effective team. With his experience, his authority, and his unquestioned ability, Mr Welles may yet prove to have nearly as profound an influence on shaping foreign policy outside of office as he had in.

The Darker Side

There is a darker side to the agreement between Mr Willkie and Mr Welles upon the need for a Four-Power agreement. It is unlikely that either would have spoken so vigorously had he not been conscious of a dangerous trend toward the idea of exclusive or partial alliances. Mr Willkie is thought in some quarters to have been answering Governor Dewey's cautious endorsement of a continuing Anglo-American military alliance. In the narrow view of party politics this may be true; but he certainly is also aware that more unsavoury elements are preparing to climb on the band wagon of "collaboration" to divert it to their own ends. It is worth noting that the *New York Daily News*, the most influential organ of the isolationist press, has recently announced its conversion to the idea of a continuing Anglo-American military alliance. In the definition of the *News*, such an alliance would involve common action where the safety of both is at stake; but where the United States felt its interests were not involved it could go its own way. This is not only a policy of excluding Russia, although that is an integral part of it. It is a policy of partial insurance for a game of power politics, which would rule out any recognition of American responsibility for the creation of a free, secure, and prosperous world order. It is a policy which is tailor-made for those interests which regard the post-war world as America's oyster. It is collaboration for exploitation; and it is attractive to those who wish to retain the maximum of freedom of action with the assurance of a friend at hand in case of trouble. Happily, there is another school of thought which can be counted upon to settle for nothing less than all-out collaboration with all freedom-loving peoples, and it is fortunate to have the leadership and encouragement of men of Mr Welles's and Mr Willkie's calibre.

Coal Deadline

Last week's strike in the Alabama and Indiana coal-fields was a sharp reminder that this winter's coal is still in jeopardy through the failure to agree upon a new con-

tract, and that the deadline—October 31st—is not far off. This is the end of the "truce" fixed by Mr John L. Lewis after the end of the third strike last spring. This last stoppage was short-lived, but the credit for that goes to the mine-workers' chief and not to the authority of the Government. Mr Lewis's message to the miners makes it clear, however, that he has retreated no more than the miners from his earlier grievances: "Each mine-worker will again sacrifice his personal interest and subordinate his righteously outraged feelings and return to work." The occasion of this last stoppage was the return of the mines to private ownership, according to the provisions of the Smith-Connally Act. Mr Lewis agreed to the extension of the truce to the end of October, on the assumption that the mines would continue to be held by the Government—an escape clause which was later explained by the *Mine Workers' Journal* to be designed to protect the miners against "chiselling" of wages and standards by the operators. The calling of the strike—unauthorised as it was—cannot have been entirely unwelcome to the mine-workers' leadership. It heightens the pressure on the War Labour Board to publish its decision on the Illinois contract, and to make its findings favourable. The contract provides for an average increase of \$2 a day, on the grounds of a longer working day; and it includes payment for time spent in underground travel—the "portal to portal" pay which the War Labour Board has already declared impossible to accept because "it constitutes a hidden wage increase." To become operative, the contract must secure the approval of the Office of Price Administration, as well as that of WLB, as it will necessitate a rise in the price of coal. Approval would be a bitter pill for the WLB to swallow, and it might increase the restlessness over wages which is already noticeable elsewhere. But Lewis is in a strong position. He has chosen his time well: because of the difficulty of storage, the onset of winter is the traditionally favourable moment for negotiating a new contract. He has followed his old trick of getting the consent of the relatively well-placed mid-western operators as a means of forcing the southern operators into line. It will tax the ingenuity and courage of the Administration to reconcile justice to the miners and coal for the war with the demands of the anti-inflation programme.



Important Announcement

To present Users, and to all Executives interested in saving time and reducing the work of their Accounts Department while completely eliminating all risk of forgery on Cheques or Dividend Warrants

**INVICTA AUTOMATIC
CHEQUE WRITER LTD**
169 Piccadilly, London. W.1

wish to draw attention to their new address as above

Details and demonstrations on request
Telephone: Regent 1900
Managing Director: PERCY PHILLIPSON

THE ONLY MACHINE PRINTING DATE AND AMOUNT IN FIGURES AND WORDS IN ONE OPERATION

THE WORLD OVERSEAS

Algerian Rehearsal

SINCE the guarded recognition of the French Committee of National Liberation by the Allied Governments Algiers has had the taste of sovereignty. The capital of North Africa has become the temporary capital of France, the seat of an authority that grows more and more real with every day. At first, there was a sense of emotional exhilaration and enthusiasm which tended to hide the hard issues of very difficult realities. By now, the emotional mist has been nearly dispelled; the first spontaneous hailing of La France Combattante and its leader is over; and the minds of the Committee, as well as of the people in the overcrowded towns of the North African coast, have turned rather more closely towards the very concrete economic and political tasks with which they are confronted.

Corsican Stepping Stone

The liberation of Corsica was received with justified joy. The distance between Overseas and Metropolitan France has been shortened. But the situation in Corsica on the morrow of its liberation—the difficult food position and the political complications—has served as a reminder that the process of liberation of France will leave only very little time for holiday-making, and that the grey background of a land devastated and impoverished by hostilities and

enemy occupation will not be the most fertile soil for superficial *mystiques* and personal cults.

Food for the People

In North Africa the most important problem is still food. In normal conditions, North Africa used to provide a considerable export surplus of foodstuffs. Under Vichy, this food surplus helped Metropolitan France to cover part of the deficits caused by German requisitioning. In theory, North Africa ought now to be able to feed its own population. The Allied armies should not have caused any crippling drain on the country's resources, since, according to all statements, they rely on their own imported supplies. True, the output of local agriculture in the current year must have been below normal, because of the call-up and the shortage of labour, and because agricultural machinery and tools have not been renovated for a long time. Tunisian farming may not have recovered from the effects of fighting.

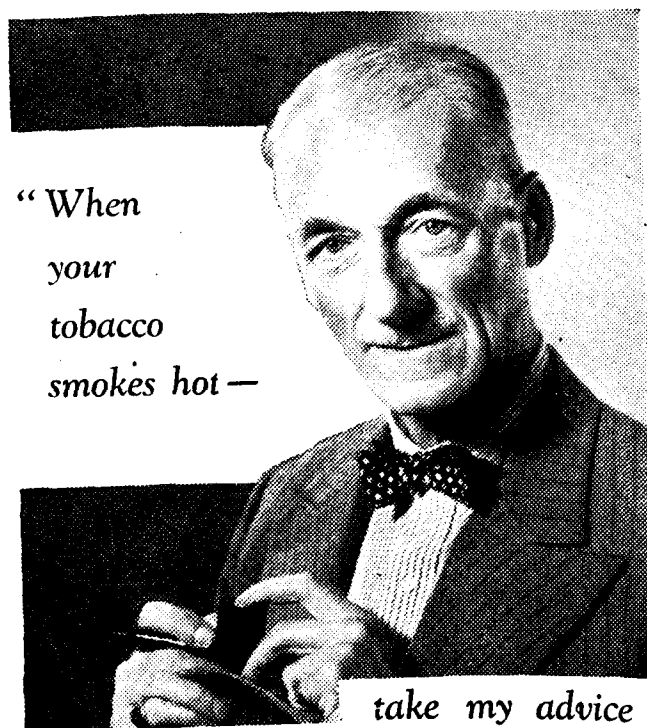
Even so, there seems to be general consent in North Africa that the grave food position is not due to the decline in production, but to maldistribution. This has partly been caused by the dilapidation of civilian transport. The lorries of the farmers have not been repaired or renewed for some years; the railways have to give priority to military traffic. Civilian goods traffic would normally require a turnover of a thousand trucks a day, and the number of trucks available is 350-400. The position has partly been relieved by the detailing of military lorries for the transport of food. It seems, however, that the main cause of the insufficient supply of agricultural produce lies in the fact that the producers' demand for industrial goods is unsatisfied, a difficulty which cannot be overcome quickly.

In the meantime the black markets are flourishing—to quote the description of a French correspondent, "even more than they did under Vichy." People have to resort to the black market if they want to maintain a normal standard of living; "and one only wonders how people with low wages make ends meet." The economic agencies of the Committee of Liberation pass resolution after resolution about the need to combat the black markets; in practice, the matter does not seem to have gone beyond this stage. Nor does the political atmosphere favour an improvement. The press is not free to discuss the food position frankly or to reveal civilian malpractices or the inefficiency of the Administration.

Against this background the far-reaching plans made by some members of the Committee have a touch of economic escapism. Some days ago the Commissioner of Labour, M. Tixier, outlined a broad programme of nationalisation for all the key industries of France. It does not seem likely, however, that M. Tixier's *exposé* has the official support of the Committee of Liberation as a whole—though it did seem to reflect pretty accurately the radicalism of the trade union audience to which M. Tixier was speaking.

The Franc

Another economic issue, the exchange rate between the franc and the pound, has recently been discussed by M. Istel, the French delegate to the inter-Allied negotiations on currency. M. Istel has argued that the wartime decline in the purchasing power of the franc has not been substantially greater than the similar decline in the purchasing power of the pound; and that at its 1939 rate (176 francs to the pound) the franc was an under-valued currency. M. Istel did not make clear the purpose of his statement. He neither mentioned any suggestion about any further devaluation of the franc, to which his statement might have conceivably been a rejoinder, nor did he himself suggest any revaluation of the franc. But it is obvious that, with the food position, the currency problem is a



"When
your
tobacco
smokes hot—

take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100TH YEAR

major preoccupation at Algiers; and both problems are likely to be discussed by M. Monnet in the course of his present visit to Washington.

The Political Issues

The political issues on which public interest has recently centred have been the proposed reshuffle of the Committee of Liberation and the recently announced creation of a Consultative Assembly. The outstanding feature of the present position is that, after a period of eclipse, the political parties are now reasserting themselves in France as well as in North Africa. There seems to be less and less ground to expect that General de Gaulle's organisation will really be able to substitute itself for the old party system. True, Fighting France is the leading organisation of resistance in France itself, and, as such, it is recognised by most political movements. But there are many indications that these movements are not prepared to abdicate in favour of Fighting France—though they are anxious to secure close collaboration with it. The Socialists in France made their attitude clear some time ago. A similar line has now been taken by the Radicals, whose representative, M. Marc Rucart, has arrived in Algiers. M. Rucart was one of the foremost leaders of the Radicals before the war, and he played an important part in rebuilding the party in Underground France. His arrival at Algiers fills what was until recently a very important gap in the political set up there, for he speaks with the full authority of the great and influential movement which was the main element in the history of French parliamentary democracy.

The Communist Party, too, has pledged its full support to the Committee of Liberation, after the ban on its activities was raised on June 25th. At the same time it has been critical of the political ambitions of *Gaullisme*. The balance of political forces in North Africa has undoubtedly been somewhat distorted by the chance preponderance of the Communist Party on the spot. While the other political groups have their "general staffs" and parliamentarians in France itself, the CP has benefited from the fact that its leaders and deputies, imprisoned by Daladier and later transferred to Algiers, have now been freed. The leading Communist group, consisting of 27 deputies, has now been strengthened by the arrival of André Marty from Moscow. This gives the Communists relatively more weight and influence in North Africa than they would have obtained in conditions in which all political tendencies enjoyed an equal start.

Democracy and De Gaulle

However incomplete or accidental the representation of the political parties in North Africa may be, the mere fact of their presence is beginning to tell. Some reshuffle of the Committee of National Liberation which would leave more scope for general political activities is envisaged. At the same time, the decree of the Consultative Assembly of September 23rd provide for mixed representation of the political movements and of the Gaullist organisations of resistance. The decree caused a great deal of well-justified criticism. The functions of the Assembly are to be only advisory; the responsibility of the Committee to the Assembly has been conceived in a somewhat Pickwickian manner; the duration of the sessions and the right of the deputies to question and control the Commissars are elaborately restricted. Paradoxically enough, an Executive, which itself cannot claim any normal, constitutional origin, denies to its own quasi-parliamentary body the right of effective control, on the ground that that body has not been elected in a constitutional manner.

There can be no doubt that General de Gaulle has not yet gone even half-way towards meeting the demand for more representative and responsible Government. Yet, it is clear that this demand has not been altogether ineffective; and the fact that the Consultative Assembly is only a half-measure is not only due to the tendency towards personal rule, but also to the fact that democratic counter-pressure is still inadequate. The reassertion of the political forces of French democracy is still in an early stage.

The same situation is reflected in the strange contrast between the freedom of speech and assembly which is now reported to prevail at Algiers and the denial of freedom to the press. In the extraordinary duel between democracy and a personal *mystique*—a duel which accompanies the wider struggle for the liberation of France—democracy is slowly regaining ground. Whether it will be able to consolidate and extend its gains will depend entirely on its own self-confidence and courage.



CORRECT LIGHTING is an extra eye

WHEN eyes have to be "everywhere at once"—as they need to be on so many jobs—a third eye would be immensely valuable. Unfortunately, nature consistently refuses to provide more than two eyes. But workpeople can be given perfect *seeing* conditions, and that is often as good as an extra eye.

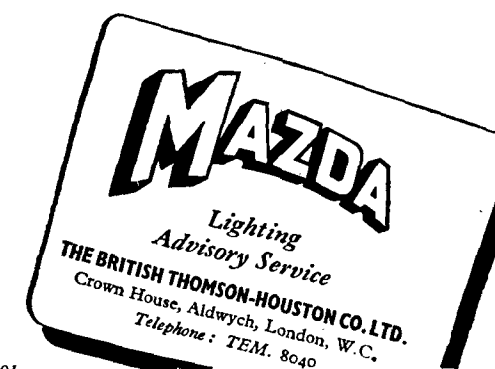
EASY SEEING CURBS WASTE— People who have not made a study of lighting are sometimes difficult to convince that correct lighting makes an enormous improvement in working conditions and output. But in factories where careful tests have been made it has been established that improved lighting has sent

output up by as much as 25%. Furthermore, there is evidence that "good seeing" reduces accidents—accidents to personnel, materials and machinery—and also, by eliminating strain, reduces the number of workers absent through minor ailments.

—AND RAISES EFFICIENCY

In good light—which is fitness-for-purpose light—a worker's interest is sustained; because he or she does not suffer from premature fatigue. Manual dexterity is increased; reactions are quicker; the whole standard of efficiency improves, particularly where trainees and elderly people are employed.

All who are interested in "BETTER SEEING" are invited to communicate with:—



M3991

Eire's Post-War Economy

[FROM OUR DUBLIN CORRESPONDENT]

October 4th

THE post-war economic policy of Eire is doubtless receiving attention in official quarters, although no public signs of that attention are very evident. The problems that will need solution may be exceedingly difficult, and may demand a revision of accepted standards along totally novel lines. For example, it is by no means certain to what extent Irish agriculture will retain its old status as a great exporting industry. It is generally agreed that Great Britain will maintain agricultural production at some level higher than before the war, and there will be eager and intense competition for the reduced British imports by agricultural countries all over the world. Eire is, relatively to some of these competitors, a closely settled country of small farms, and therefore a high cost producer. Its export of many commodities has been maintained only by means of subsidies. The one farm product that can defy all competition is store cattle. This is, however, a product of extensive farming, and Irish agricultural policy after the war will almost certainly aim at more intensive farming in the interest of giving employment to a growing population, and possibly to numbers of returned emigrants. All recent experience indicates that the interest of the export trade will be regarded as secondary to that of providing employment.

It is not suggested, of course, that Irish agricultural exports will not continue. Their continuance is absolutely necessary, and must be encouraged by every measure of research and education that can be devised. What is suggested is that it may become essential to discover new varieties of exports to supplement agricultural exports in paying for future imports. The only invisible export which might be expanded is the tourist industry. The question arises—and it certainly is easier to ask than to answer—whether some new exporting manufacturing industries could not be established. Eire is not the only agricultural country faced with this problem to-day.

The problem of providing employment for the population which is in excess of that necessary for agricultural production has hitherto been solved in two ways. The first way has been emigration, which wedded Irish labour to capital abroad. Emigration is not likely to be maintained at its present level after the war, and, in any event, it is devitalising and undesirable. The second way has been the protection of a large range of secondary industries. It is unquestionable that these industries have provided much employment. From the point of view, however, of helping to preserve equilibrium in the balance of payments, they have proved disappointing. The depression which they have experienced during the war demonstrates the extent to which they depend upon imports. These industries have been encouraged at, in some cases, much cost, and there is no question of their being abandoned or relinquished. But the time has surely come when the most searching investigation should be made into the possibility of establishing other industries specially adapted for export. Several such industries were built up in Ireland during the nineteenth century. Irish ships, linen, poplin, spirits, stout, biscuits, mineral waters and other goods had a world market, and there does not seem to be any reason why similar high-grade specialities should not be developed in future. One result of the growth of such specialised industrial exports would be a diversification of external markets with the capacity to acquire directly non-sterling currencies. Irish agricultural exports have access to no market except the British, and command no foreign currencies except sterling, with which Eire is already abundantly supplied. An increase of direct foreign trade would enable Irish importers to bypass any British exchange control retained after the war. The problem of the international provision of capital will not be easy of solution, but in the case of Eire no such problem exists. Apart from large holdings of external assets held before the war, Eire has built up large reserves of sterling in the last four years. When imports are available again, it will be a matter of the greatest urgency to ensure that these reserves are wisely and productively employed and not merely frittered away in bridging over a continuing, and possibly an increasing, adverse balance of payments. Those Irish economists who have been sceptical regarding the wisdom of "repatriating" Irish capital invested abroad have never questioned the propriety of using such reserves to develop truly productive enterprises at home. The development of

specialised exporting industries would involve considerable expenditure on research, education and marketing.

But such expenditure would, it is to be hoped, ultimately result in activity which would be truly productive, in the sense that it would increase the national income without exerting an adverse pressure either on the Budget or the balance of payments. It should be borne in mind that among the comparative advantages that Eire enjoys should be reckoned a potential capacity for great technical efficiency and abundant supplies of cheap capital. Among its comparative disadvantages should be included high wages, modelled on British standards, and a relatively narrow range of raw materials.

Letter to the Editor

Local Government Reform

TO THE EDITOR OF THE ECONOMIST

SIR,—The reaction of any responsible person connected with municipal authorities to the suggestions contained in *The Economist's* articles on Local Government Finance on September 25th and October 2nd will be at least definite.

Those of us in the large local authorities simply will not have regional government at any price, unless we ourselves form and control those regions locally and without any such fifth wheels added to the administrative coach as regional commissioners. We have had too much experience of the utter incapacity, the complete lack of knowledge and the general inefficiency displayed by regional authorities to think otherwise. We will not only resist, but we will definitely sabotage any attempt to impose control from above on us after the war. Your statement, therefore, that a regional solution can hardly be attempted is sound.

Failing regional control, however, you suggest that the local authorities should have imposed on them more direct control by the Central Government. In the name of commonsense, why?

The average local government official in a big municipality is far more competent than the civil servant from Whitehall supposed to supervise him. He ought to be. Local authorities pay higher salaries than Whitehall. They attract better brains, and in addition to attracting better brains, the man on the spot knows more about local problems. Local government staffs are usually permanent, as against the "general post" method of staffing the local administration of Government departments. Any suggestion, therefore, that the larger local authorities will tolerate any further curtailment of their powers can be dismissed at once.

It is not just a question of retaining powers in the hands of existing authorities. If it could be demonstrated that a change would result in better government, the case would be unanswerable. Wartime controls, however, have demonstrated that they do not result in better government, but in much worse government, far more inefficient and costly.

Take the Fire Services as an example. Mr Herbert Morrison has never dared to give the comparative cost of administering the National Fire Services against the old local government fire services. Figures at a recent conference of municipal authorities showed that the cost under the Government as against that under local authorities has increased many times over.

There is a strong case for local government reform, but in the direction of increasing the powers of the local authorities, not of curtailing them.

We have endured the sheer, utter, stupid incompetence of the Regions and of Whitehall because there is a war on. As far as the local authorities are concerned, we know our own minds. We will not tolerate undemocratic control, either from Whitehall or the Regions, and anyone suggesting it is asking for trouble.

City of Birmingham.

NORMAN TIPTAFT.

Books Received

- The Future of India*. Part III. By R. Coupland. (London) H. Milford. 207 pages. 6s. 6d. net.
- Banking*. By Walter Leaf. Revised by E. Sykes. (London) H. Milford. 255 pages. 3s. net.
- The Tennessee Valley Authority*. By C. Herman Pritchett. (London) H. Milford. 333 pages. 21s. 6d. net.

Germany at War

Speer's War Economy

UNDER Minister Todt the material basis of Germany's war effort was expanded by territorial conquests. The war economy was fed, in addition to home resources, by booty from occupied countries, and foreign labour supplies seemed almost without limit. This gave flexibility to totalitarian organisation. Dr Todt's successor, the youthful Albert Speer, an architect by profession, came on the scene immediately after the first winter reverse in Russia. In February, 1942, Speer could not know that his task was going to be a ceaseless struggle to maintain war production on an inexorably contracting material basis. By setting up an Armament Council he tried to achieve the greatest possible concentration of industries in the shortest possible time for a knock-out blow against Russia. There was no knock-out blow, and Speer was forced to realise that from then on all his assets were wasting.

The German economic situation, as it developed during the winter of 1942 to the summer of 1943, called for great mobility and flexibility in production because of the worsening military situation and the sustained Allied bombing attacks on Germany and German-occupied countries. In addition the husbanding of manpower and material resources became imperative. Organisation was in itself no solution. In the autumn and winter of 1942-43 Germany's war economy suffered more than ever from over-organisation. Flexibility had vanished after the initiative of employers and workers had been dangerously clogged by endless rules, regulations and bodies and by a bureaucracy grown out of all proportion, even in a totalitarian country.

Speer concentrated the manufacture of weapons and munitions in the most efficient factories, which he placed under purely technical control. Events culminated in Speer acquiring virtual control over all war industry. He was appointed Minister for Weapons and War Production, and the system of purely technical control is being extended from the war industry proper to all industry. The Speer committees, formerly confined to armament and munition factories, are being set up in other industries. A committee has already been formed for the building industry. The district chambers and industrial federations have lost, or are losing, any practical economic importance. They simply provide a framework for the compulsory organisation of employers, who are now in the same position as the workers occupy in the Labour Front.

Nazi Technocracy

The advance of the Speer committees is first explained as the logical transformation of the policy of "steering" the economy into a system of central planning. At the same time it is almost plaintively repeated that the Speer committees are a wartime institution that will disappear at the end of the war. Before Speer's phenomenal rise, Nazis were emphatic in the belief that their totalitarian economy was organised in such a way that its main principles served peace and war needs equally well. What has happened in Germany is not the result of personal or other conflicts between Speer and Funk. It cannot even be said that Speer wields supreme powers. These changes, forced by events, are being done in the name of Speer. He formed his ideas about economic organisation under the Nazi regime, and displays the supreme contempt of the Nazi totalitarian bureaucrat against employer and worker alike. He is a technocrat, and believes that technocratic principles must be decisive, in a Nazi context. Direct political control over human factors in the economy is growing. The district chambers, for example, are under the immediate political control of district advisers, who must be members of the Nazi party, and work with a steadily growing staff of local and district representatives. At the top is the Nazi Party Chancellery under Bormann.

Speer himself works in collaboration with representatives of the Wehrmacht and leading industrialists. His Armament Council is made up of seven generals and eight leading industrialists. The Central Planning Department, an offshoot of Goering's Economic General Council, has come into sudden prominence. These organisations are more

powerful than any of the individuals directing them, and Speer's new prominence is the result of a process in planning and control. It began long before the war with the allocation of raw materials. The industrial federations ther collaborated in this task; the use of scarce materials was prohibited, but factory managers were still free to find the best method of production within these restrictions. Now the Central Planning Department, with its infinite variety of subsidiary bodies, plans the finished articles and the method of production down to the smallest details. The factory manager is told which materials he must use, and is ordered to employ manufacturing processes which have been worked out by Speer's controlling engineers. It is an extraordinarily laborious method of control. Stoppages, breakdowns and miscarriage of orders and material are frequent. To counter-balance this "shock methods" are used. Speer's committees work with highly mobile engineers, working staffs and special detachments, who can take over whole factories. Where they appear urgent work ordered by the Wehrmacht, approved by the Armament Council, and distributed by "order steering departments" is done to the disadvantage of all other work in this particular factory, or even in a whole branch of industry.

Speer's methods cannot be used in all industries. They are mainly confined to manufacturing. This explains why there is still a great variety of controls of both the old and new type. At the top, centralisation has been carried a step forward. The Wehrmacht is no longer supreme in placing orders. Army and Navy orders are finally approved by Speer's Armament Council, on which the prominent pre-war Wehrwirtschafts-Generals have a seat. Only the Luftwaffe has maintained some independence for its supply services. In industry as a whole the distinction between armament works and civilian works has gone. Technocratic principles have become supreme, which although wasteful in the extreme still ensure the manufacture of a considerable volume of weapons, munitions and military equipment.

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

THE BUSINESS WORLD

Experiment in Price Control

PRICE control, at every stage from raw materials to finished goods, civilian as well as munitions, has played a crucial part in war economy. It has had three different purposes: to assist in the restraint of inflationary processes; to facilitate the fair distribution of necessities; and to prevent undue profits from being made by manufacturers and traders. Applied to every conceivable kind of commodity, from the costing of munitions to the limitation of retail margins, price control has assumed a great variety of forms, including the stabilisation of the cost of living by direct Government subsidies to hold down the prices of particular foodstuffs. One of the most ambitious schemes yet devised for the control of the manufacture of consumers' goods is the Wool Yarn and Cloth (Maximum Prices and Charges) Order which came into force on September 6th. It provides for the control of prices of almost the whole of the output of the wool textile industry, including non-utility as well as utility cloth. The significance of the scheme goes beyond the industry concerned, for it illustrates the whole range of problems to be solved by price control.

In the case of standardised articles, such as many raw materials and foodstuffs, the control of prices presents no insuperable difficulties. The problem becomes easier still when the Government decides to acquire all available stocks; it is simply—or perhaps not so simply—one of adding arbitrary margins for distributors. But when it comes to articles, such as cloth, which cannot be standardised and, hence, not clearly defined, the task of fixing maximum prices becomes complex. The price controller must take account of a multiplicity of similar but different products, of variation in methods and costs of production between one manufacturer and another, and in technical and working conditions between one district and another. Especially, he must make sure that the methods of control he applies do not have the effect of causing the goods to be produced in the wrong proportions.

In the worsted yarn spinning section, exceptionally, conditions were found to make possible the use of a method of fixing maximum prices analogous to that employed in the control of many raw materials and foods. Wool is strictly controlled by the Government and released at fixed prices to the trade; the number of types of worsted yarn, though large, is limited; worsted spinning is a fairly homogeneous industry in which the processes and costs of manufacture do not differ greatly from one producer to another. In fact the Wool Yarn and Cloth (Maximum Prices and Charges) Order has defined and fixed specific maximum prices for every type and count of worsted yarn, such as white botany yarn on "cheese," coloured botany yarn on

"cheese," white crossbred yarn on "cheese," mule-spun botany yarn, and so on.

For the control of prices in the other sections of the trade, the Board of Trade has decided to use a blend of the "standstill" principle, by which maximum prices are fixed by reference to those charged on a given date, and the "cost plus" method, by which they are based on cost of production plus an agreed profit. Experience has shown that, almost always, neither of the two methods is satisfactory if used singly. The "standstill" method can only be employed effectively where all the elements entering into the final price, including the volume of turnover, are also fixed, and when the final product remains unchanged in quality. The performance of services, for example, is often standardised and is capable of treatment by the "standstill" method. Thus, in the new Order the maximum price for the performance of certain services, including commission woollen spinning, is fixed at the level of June 30, 1942; this price is subject to an increase—12½ per cent in the case of commission woollen spinning—which takes account of the rise in the cost of coal and other materials, and of the decline in turnover. For woollen spinners, other than commission spinners, and for the weaving section of the industry a blend of "standstill" and "cost plus" methods is employed. There is a separate scheme for each of the half-dozen different categories of weaver, taking account of differing circumstances. Broadly, maximum prices have been fixed by aggregating these four items: raw materials cost; conversion costs; amounts paid to other persons for services rendered; a profit calculated as a percentage of the sum total of the first three items. The raw materials of the spinning industry are controlled and fixed in price by the Ministry of Supply; these are tops for the worsted section and tops, together with a multitude of miscellaneous materials from which fibres can be recovered, for the woollen section. The price of yarn, the raw material of the weaving industry, is controlled by the Order itself.

The formula for calculating conversion costs is in many respects the most interesting. On the one hand, the woollen spinner or the cloth weaver has to assume that his factory is working at a given rate of capacity for the purpose of meeting his overhead expenses. The given rate of capacity varies between the different sections of the industry, but within each section every manufacturer, whatever his actual rate of operation, has to cost on the basis of the rate fixed by the Order. On the other hand, by applying the "standstill" principle an upper limit has been put to conversion charges; these must not exceed by more than a fixed percentage the cost that would have been incurred in carrying out the same process on June 30, 1942, at a given rate of operation. In other words, the manufacturer may calculate his costs either on the basis of his current cost, assuming a given rate of activity, or on the basis of costs at the end of June, 1942, also on an assumed but different rate of activity, plus a percentage on such cost, whichever is the smaller.

The third item in costs—the amount paid to other persons for work done on commission—is controlled by the Order, either by the "standstill" method, outlined above, or by the combination of the "standstill" and "cost plus" methods here described. The last item in costs—the profit—is equivalent to a percentage of the sum total of the first three items; this percentage is fixed for each section of the trade, ranging from 4½ per cent in some sections to 6½ per cent in others.

The scheme, which has been devised by the Central Price Regulation Committee, is certainly ingenious. It is a courageous attempt to go beyond the fixing of wholesale and retail margins and to extend price control right back to the process of manufacture. It has yet to be seen how it will work out in practice. It attempts to prevent price inflation at each successive stage of production, and, if successful, could be adopted for a whole range of other

industries. But, in its present form, it is designed, quite rightly, for the scarcity conditions of wartime, when the prevention of inflation may be more important than the reductions in cost that might be secured by other methods. Its relevance to "efficiency auditing" in peacetime conditions is not less certain. After the war, once the period of scarcity has passed—which may not be for some considerable time—the emphasis should properly be on securing reduc-

tions in real costs. Competition is still much the most effective device for bringing about such reductions and, when it can fairly and genuinely be restored, the need for price-control schemes of this kind will go. But when effective competition cannot usefully be restored some form of price checking will have to be evolved; and this experiment in controlling the cost of wool textiles on the basis of costing and plant activity may be of considerable value.

Business Notes

Lord McGowan on Chemicals

As reported by *The Engineer*, Lord McGowan, chairman of Imperial Chemical Industries, Limited, has defined the conditions in which the chemical industry should be allowed to carry on its business. In an address on the future of the industry on October 12th, he said:—

If the chemical industry is to discharge its responsibility as one of the great servants of the community, it must be granted the opportunity to earn, in the face of all fair competition at home and abroad, enough to reward its workers adequately, to apply adequate funds to research and development, to provide the public with the best article at the right price, and to yield a fair return to the shareholders who had adventured their money in it.

To a large extent ICI is the British chemical industry, and Lord McGowan's statement is a definition of the conditions in which his combine should be allowed to do business. Competition in many fields of the British chemical market has been largely eliminated by the emergence of ICI and by tariffs on imports; and competition on the international markets has been reduced to a minimum by cartel agreements. The concentration of production is, of course, a tendency inherent in the development of modern industry and, provided the economies of large-scale production are not negated by the inefficiency bred by security of markets, it can be welcomed. The chemical industry is in many respects a young industry, which requires for its full development a spirit of enterprise and initiative not usually associated with monopolies. This does not mean that ICI has been unenterprising since its formation, but it does emphasise the dangers of monopoly, and of a blank cheque from the community to enable ICI to enjoy a position of privilege. Lord McGowan, like the Parliamentary and Scientific Committee in its latest report, emphasised the need for research, and for the maintenance of "the maximum flow of inventions." But he went on to say that, in his view, remedies for the abuse of patents had been provided on an "ample scale" in the Patents Act. He was not aware of abuses which had not been foreseen, but if any made their appearance, the remedy was to obtain an extension of existing safeguards, and not to seek revolutionary changes which would do "far more harm than good." Lord McGowan's address, obviously, is a plea for the maintenance of the *status quo* in the organisation of the British chemical industry, that is to say, of the privileged position attained by ICI. He evidently believes that ICI is generating sufficient driving power "within" to deserve such a position in the British chemical industry.

The Future of Coal

In an interesting address on the future of coal in this country on October 18th, Mr J. P. Bennett, Director of the British Coal Utilisation Research Association, made this statement:—

We may expect to see coal regarded as a high-valued product produced in much smaller quantities than at present, but used to greater advantage and sold at a higher price. The effect of scientific research will be to improve the earnings of miners, and to make the coal industry far more attractive to young men as a career.

Mr Bennett's forecast is soundly based in the sense that there is immense scope for technical progress. The utilisation of coal as a source of energy and its scientific treatment as a chemical compound are still at an early stage. He gave impressive details of recent progress in combustion research which holds out great promise, adding the comment of the Deputy-Director of the US Bureau of Mines that in solid fuel combustion research Great Britain was "years ahead" of anything done in America. A one per cent increase in the

efficiency of utilising coal over the present average of about 30 per cent would save more than five million tons of coal a year in this country. But if Mr Bennett was optimistic about the technical possibilities in the utilisation of coal, Lord McGowan, of ICI, a large consumer of coal, expressed anxiety about the rise in the cost of producing coal, amounting to no less than 70 per cent during the past six years. He made the astonishing statement that pithead prices in the United States were lower than in this country by the equivalent of 10s. a ton, that is by an amount little less than the pre-war cost of coal at the pit in this country. Yet the wages of coal miners in the United States are appreciably higher than in this country. Lord McGowan's statement once more emphasises the pressing need of technical reorganisation in the British coal-mining industry, not merely to meet wartime needs, but also to prevent the coal-consuming industries from being handicapped after the war by a high price of coal.

* * *

Research and Industry

The Parliamentary and Scientific Committee has done valuable work in advancing the co-ordination of scientific research at all levels and its application to practical war problems. Recently it has turned its attention to the role of science in post-war reconstruction. The Committee issued a valuable memorandum on coal utilisation in July, and has now produced a report on "Scientific research and the universities in post-war Britain," which argues the case for the encouragement and expansion of scientific research after the war. The report is a timely reminder that this country's future industrial position depends largely on its ability to apply science and technique in production. Britain, as has often been said, spends only one-tenth as much on scientific research as the USA and very much less than Russia. The Parliamentary Committee concludes that "we should certainly look forward to spending at least ten times as much annually after the war if we are to provide the basis without which neither our agriculture nor our industry can effectively meet the needs of the future." This applies equally to fundamental research, hitherto left to the generosity of private benefactors; to agricultural research, otherwise "the cost of the protection that will be necessary to make British farming pay may prove unacceptable"; to industrial research, at present almost entirely financed by private firms, and to university research. The Committee emphasises that the first need is for an expansion of scientific personnel, through the universities and technical institutions. It estimates that a capital sum of £10 million for university buildings and equipment would be necessary during the first five post-war years, and recommends that the annual Treasury grant to the universities of £2,250,000 should be increased to £6,000,000 or £7,000,000. At the same time it hopes that, in addition to developing graduate and post-graduate work, the recommendations of the Norwood Committee that "natural

BUY 3% SAVINGS BONDS 1960 1970

- ★ Purchasable in multiples of £5
- ★ Interest paid half-yearly
- ★ Interest is subject to Income Tax, but tax is not deducted at the source
- ★ May be sold quickly through your Savings Bank

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

Issued by the National Savings Committee, London

The OCEAN

Accident & Guarantee Corporation, Limited
Head Office: 36-44, Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

science should find a place in the education of all pupils" and that steps should be taken to increase the supply of science teachers, will be adopted. It recommends that scientific workers should be given high priority in demobilisation—it would be interesting to see how this can be squared with the principle of "first in, first out." The report, which is being presented to the Ministers concerned with demobilisation, post-war planning and educational reform, concludes that expenditure on the scale suggested "should be an essential investment of high priority in the post-war world, yielding in the long term a much higher return than in any alternative field." But it is not only the scale of expenditure that matters; it is equally important that money should be spent wisely to yield the best results.

* * *

Big Money Turnover

The turnover of credit in the money market continues to be high, and is providing a severe test of the authorities' technique for maintaining an even keel in the day-to-day credit position. Last week's Government expenditure appeared in the Exchequer returns at £99,800,000, after a figure of £140,000,000 for the preceding nine days. These totals do not give a true picture of the flow of Government outgoings, since many of the items in the expenditure of supply services are net figures. With tax revenue at a seasonal low ebb and the flow to Government loans running rather sluggishly now that no organised stimulus is being applied to it, the scale of floating debt borrowing has increased. Allowing for effective maturities, the fresh money raised by bills and TDR's last week is estimated to have exceeded £60,000,000, while this week's figure is estimated to have been between £35,000,000 and £40,000,000. Although a reasonable balance between income and expenditure has been obtained over the week as a whole, some temporary maladjustment is indicated in the latest Bank return which reveals an exceptional immobilisation of credit in Government accounts, the item of public deposits having risen by £16,157,000 to £23,609,000 over the week. There have, in consequence, been days when unexpected disequilibrium had to be adjusted by special open market operations. The money market found itself in very short supply of credit towards the end of last week, and, on the first days of this week conditions again became difficult. The necessary assistance has been given in a variety of ways. The discount market has sold bills to the official agents, while special help has also been forthcoming by official purchases of bills from the clearing banks which, in their turn, have both extended their loans to the market, and increased their purchases of bills. One of the clearing banks, which would, in the normal course, have been making up for its October statement this week, has postponed the performance until next week when credit is expected to be more abundant. The technique of the authorities in ironing out the inevitable day-to-day disturbances in the credit situation has, therefore, been fully deployed during the past week.

* * *

Ownership of "Kaffirs"

Circulars received from Rand Mines and Transvaal Consolidated Land show that these two companies are taking steps to alter their Articles of Association with a view to restricting foreign ownership and control of their companies. The alterations have two main objects in view: to give the board power to refuse transfer into the ownership of any foreigner or any foreign, or foreign controlled, concern, and to ensure that no foreign holder shall have power to attend meetings or to vote in person or by proxy. A foreigner is a person who is neither a national of the Union of South Africa nor a British subject. The reasons given for taking these steps are that many holdings, in the form of bearer warrants, are believed to be in the possession of persons in enemy-occupied territory and that there must

be no chance that voting power will be used contrary to the interests of the company. This is intelligible enough, but is it necessary to impose a permanent ban on foreign ownership—including ownership by Allies whose territory is in no apparent danger of occupation—to achieve the end in view? It would seem not. Evidently the gold-mining industry is a matter of the first importance to the Union, and action which would prevent control falling into the hands of those outside the country appears to be justified, if there is in fact any danger of that occurring. This position would seem, however, to be met by the removal of voting power, or even by restricting it so far as foreigners are concerned. The power to limit transfers, if it is used, would result in a material limitation upon the export of capital, and any impediment of that sort is more usually associated with economic nationalism than with the kind of world which it is hoped to create after the war.

* * *

Reserves and Provisions

The Council of the Institute of Chartered Accountants is making this week a further set of recommendations to its members, designed to improve and to standardise practice. On this occasion the matters dealt with are of even greater importance than the previous recommendations on War Damage and taxation; namely, reserves and provisions. After stating that a true appreciation of a balance-sheet may be rendered impossible owing to insufficient distinction between free reserves, capital reserves, provisions for known contingencies and provisions for the diminution in value of assets in excess of normal or estimated requirements, they go on to recommend that the term *reserves* should be used only to denote amounts set aside out of profits, or other surpluses, which are not designed to meet any liability, contingency, commitment or diminution in value of assets. The term *provisions* would be used only to denote amounts set aside to meet specific requirements the amounts of which can be estimated closely and specific commitments, known contingencies and diminution in values of assets existing at the balance-sheet date where the amounts involved cannot be determined with substantial accuracy. They further recommend the general adoption of the strict definition of a *reserve fund*, which would restrict its use to those cases where the monies were invested in readily realisable and earmarked assets. They deprecate the establishment of a variety of reserves as defined above, but state that capital reserves not available for distribution as dividend should be separated from those of a revenue nature. The Council recommends that all reserves should be disclosed, and that, as a general principle, the same should apply to provisions. They do, however, make an exception that in cases where disclosure of the amount of a particular provision or of additions to it would clearly be detrimental to the interests of the company this provision may be included under some other item, such as creditors, provided that the heading states that provisions are included. In all cases the utilisation of both reserves and provisions proved to be redundant should be disclosed in the accounts. They further recommend that, where practicable, fixed assets should be valued at cost and provisions for depreciation or diminution of values should appear as separate deductions from them.

*

Clearly, these recommendations, if generally adopted, would go a great way towards making the balance-sheet an intelligible document and a valuable guide to the investing public. They are, of course, purely recommendations without power to bind the Council's own members, let alone other auditors or boards of directors. In view of the deliberations of the Cohen Committee, it may, however, not be out of place to consider their value as amendments to the Companies Acts. In that respect it would be necessary to require proof to an independent body that the detriment to the company caused by disclosure exceeded the detriment to the public interest of non-disclosure, or at least to insist upon a certificate from the auditor that such was the case. On the matter of depreciation allowances and diminution of the value of assets, the recommendation is sufficient, or would become so with the lapse of time, provided that fixed assets are itemised into groups of like elements and that the appropriate provision is stated separately for each.

Export Credits

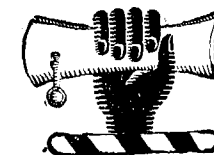
The announcement that the Export Credits Department assumed liability up to a maximum of £5,903,228 in respect of contracts, policies and guarantees amounting to £12,427,747 in the quarter ended September 30th last comes as a reminder that British export trade has not been entirely stifled by the war. These figures also show that part of this trade is still handled by private firms, since the facilities of the Export Credits Department are, for obvious reasons, not used by official trading agencies. The turnover of the department has inevitably contracted with the growing intrusion of Government departments into the sphere of overseas trade and with the sacrifice of export trade to the more urgent needs of war industry. During the war, that turnover has fallen as the need for maintaining exports in order to gain exchange has progressively declined. The latest total of policies issued by the department, £12,427,747, compares with a quarterly average of over £22 million for the three years to March 31st last. In some ways, however, the exceptional circumstances of war have brought the department new types of risk to underwrite, in particular, those arising from enemy action over which the exporter could exercise no control. The most important of these was the risk of non-payment by the purchaser, owing to the occupation of his country by the enemy. This "calamity risk," as it was christened, was a very real one in the early days of the war, when the export drive was still regarded as part of Britain's war effort. Another risk against which the department arranged cover was the frustration of voyage risk which crystallised when, owing to circumstances over which the exporter had no control, the ship carrying his goods was diverted to a port other than that to which they were consigned, and additional transport and insurance charges were consequently incurred. The new guarantees given since the outbreak of the war have been incorporated in a comprehensive war emergency scheme. When this was launched, it was not expected by the department that the business would be on a self-supporting basis, and the special facilities were intended as an indirect form of subsidy to export trade. Experience has shown that these fears were somewhat exaggerated and, as Mr Harcourt Johnstone told the House of Commons earlier this year, the war emergency scheme up to last July had resulted in a deficit of slightly more than £1,000,000, a figure which would be substantially reduced and might even be converted into a surplus by recoveries. The Export Credits Department has kept its mechanism in good working order and should be ready to play its part in the post-war drive for the recovery of export markets.

* * *

Mutual Finance Deal

The directors of Mutual Finance Limited have received from the banking firm of Higginson and Company an offer to purchase the "B" preference shares and ordinary shares of the company. The price offered is 6s. 6d. per preference share of 13s. 4d., and 6d. per ordinary share of 1s. The directors of Mutual Finance have recommended the shareholders to accept, pointing out that the offered price of 6s. 6d. per "B" preference share compares with a break-up value of 4s. 7d., and that the present break-up value of the ordinary shares is nil. The offer, which is understood to have been made by Higginson and Company on behalf of a group formed by them, is made subject to acceptance by shareholders holding 75 per cent of each class of shares or such smaller proportion as Higginson and Company may decide. It is evident from the terms of the offer that the business of Mutual Finance is being taken over as a going concern and that it is the intention of the purchasers to nurse it through the difficulties of the war period. This firm carries on a hire-purchase finance business, and, in common with most undertakings in this line of business, has suffered seriously from the war. In 1939 no less than 82 per cent of its business was the finance of motor car purchases, and about three-quarters of this related to passenger cars. The impact of the war, first, in the shape of inevitable defaults by hire-purchase customers, and, secondly, in the virtual cessation of private passenger car sales, was exceptionally serious. Substantial reserves had to be made for defaults and contingencies, losses took the place of profits, and by the end of 1942 a debit of £105,644 had been accumulated in the profit and loss account. The company has, however, done its best to adjust itself to war conditions by reducing expenditure and by seeking new business, such as the financing of sales of commercial

WILL OF THE PEOPLE



The will of our soldiers assures an unconditional surrender . . .

The will of our people can assure a just and durable peace.

To-day the United Nations are joined in their determination to win a decisive victory. On every battle front and on every farm and in every production centre a singleness of purpose is speeding "unconditional surrender."

To-morrow millions of soldiers and workers can have steady employment if they also unite with determination to bring about "a just and durable peace."

Prosperity can be realized only through the will of an informed and a united people. With their courage and their determination, the people's will to accomplish a righteous peace is irresistible.

People here, in common with people of other lands, can prosper materially and spiritually after the war ends—but only if now the peoples of the United Nations make loud their demands for "a just and durable peace."

* * *

The above Statement has been issued by the International Nickel Company of Canada and is widely published in Canada and the U.S.A. We reproduce the Statement here because we believe that all engaged in industry in Britain will approve its principles and desire to collaborate with all the United Nations in formulating plans for "a just and durable peace."

Published by

THE MOND NICKEL COMPANY LTD
Grosvenor House Park Lane London W1

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,
C45, TUITION HOUSE, London, S.W.19.

vehicles and machine tools to war industry. Consequently, a certain goodwill is being taken over by the purchasers of the shares, and this accounts for their readiness to pay appreciably more than the asset value.

New Rupee Loan

The Government of India has this week announced the issue of a 3 per cent funding loan, redeemable in 1966-68, for Rs.25 crores, that is, £18,750,000. It is being issued at 98 and will be repayable at par. The object of the loan is to fund temporary liabilities created by the repatriation of sterling debt. It may be instructive, taking this rupee loan as a specific illustration, to trace the sequence of operations which follows the decision to repatriate part of the Indian sterling debt held by investors in this country. After the vesting order, the securities in question are handed over by the holders to the Treasury, which, through the Bank of England, pays them the price fixed in the order. This sterling is made available by the Government of India, which in return takes the vested securities. The Government of India will have obtained the required sterling from the Reserve Bank of India, which since the beginning of the war has accumulated substantial sterling assets. The Reserve Bank has to be reimbursed in India for the sterling which it has thus placed at the disposal of the Indian Government. This can be done in many ways. The account of the Government of India may be debited. Such drafts on existing rupee resources are unlikely to account for any appreciable part of this compensation, since the amounts in question have been substantial (some £350 millions has been repatriated since the outbreak of the war) and since the Government of India has had to borrow in order to cover its own budget deficit. The immediate alternative is to hand over to the Reserve Bank specially created rupee securities of the Government of India. In the early part of the repatriation campaign, the securities thus created were the exact rupee counterpart of the vested sterling securities, corresponding with the latter in such matters as rate of interest and redemption dates. But, more recently, the choice of the financial authorities in India has not been restricted in this manner, and the securities handed as compensation to the Reserve Bank have taken such form as was thought most convenient and appropriate. It would have been unsound finance for the Reserve Bank to make a permanent holding of this counterpart of repatriated securities, and the policy has been to market this rupee paper and to find a permanent home for it with Indian investors as and when market conditions permitted. Another method of financing the repatriation has been to place short-dated rupee paper with Indian banks. The actual course pursued has been dictated by the condition of the money and investment markets at the time. The issue of a medium-term rupee loan is intended to repay short-term debt placed with the Indian banks, and represents the final link in the chain of financial operations involved by the transference of securities from the hands of British investors to those of investors in India.

Dorman Long Finance

The decision of Dorman Long to finance the redemption of £3,031,560 5 per cent mortgage debenture stock by the issue of ordinary shares represents one of the largest operations undertaken for some time. The debentures, repayable at any time on three months' notice at 105, are to be redeemed in those terms on January 17th, mainly by the issue of 2,094,334 ordinary shares of £1 at 27s. These shares are offered to holders of the preferred ordinary and ordinary capital of the company on the basis of one new for every one old of either class. Renunciation letters are to be issued. The prices of the shares rose to 53s. and 32s. respectively on the announcement, only to react to 50s. and 29s. Even so, although the old ordinary are cum dividend, while the new will only rank from October 1st, it is evident that the market considers the offer contains an appreciable element of bonus. It seems to be assumed that Dorman Long are taking the opportunity to reduce their commitments. This is only temporarily the effect of the operation. In fact, it clears the way for a fresh issue of debentures at a more favourable rate once these issues are permissible. For the time being, it calls for the provision of some £355,000 in cash from the company's own resources. There appears to be very little advantage from the standpoint of dividend to the old shareholders of the company.

The saving on interest and sinking fund will probably rather more than cover a dividend on the new capital at 8 per cent, at which payments were resumed in respect of 1941-42. The ability of the company to pay a higher dividend will be reduced, rather than increased, by the operation. As stated, the redemption does open the way for cheap borrowing later, for there will be some £7,700,000 of share capital against less than £1,000,000 of loan capital.

Long-Distance Road Haulage

The road haulage scheme, designed to economise rubber and petrol in long-distance transport—that is to say, in traffic of a distance of 60 miles and more—introduced last November, is now in full operation. The scheme, it may be remembered, 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 a reserve of laid-up vehicles in serviceable condition available for immediate use in case of need. The scheme is operated through a regional organisation; there are twelve divisions, coinciding with the Civil Defence Regions; and each division has been subdivided into suitable areas and vehicles grouped into units of about fifty, each centred for operational purposes on a haulage 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 collaborate in accepting traffic with the Regional Transport Commissioners, who also supervise the issue of fuel to the units. As a means of providing the operating and office facilities for each unit of vehicles, the Ministry, on the advice of the Regional Transport Commissioners, has selected suitable haulage firms which have been taken over bodily at a rent based broadly on their net profits for the average of any two years between January 1, 1935, and March 31, 1939, subject to appropriate adjustments for any change in the capital value of the assets employed by them. In order to make up the strength of the units the Minister has hired additional vehicles from other firms on the basis of an agreed schedule of rates. At the end of September, 353 units were actually in operation; the remaining four, which would complete the total originally envisaged, are expected to be created in the near future. When the scheme was introduced it was provisionally estimated that it would eventually include a total of about 25,000 vehicles; but, partly owing to an overestimate of the number of vehicles and partly because some of the vehicles offered to the Ministry for hire were found to be unsuitable, the organisation, when completed, is expected to comprise about 20,000 vehicles, that is about one-seventh of the "A" and "B" licences. Some 17,600 vehicles, including approximately 11,100 vehicles belonging to the haulage firms taken over bodily and approximately 6,500 vehicles hired individually, have already been brought into the organisation. The hire of vehicles is proceeding rapidly, and a further 2,500 vehicles are expected to be hired within a few weeks. Although the scheme has only been in operation for a short time, it has already justified itself by the economies achieved. For example, it has been possible during the summer to stand-off on the average more than one-tenth of the number of vehicles in the organisation. When the scheme was originally announced, it was suggested that, if successful, it might be extended to short-distance traffic. Apparently, however, this extension is not envisaged in the near future.

Bread and Potatoes

The national loaf has saved shipping space, and it is now proposed to save some 400,000 gallons of petrol annually by a rationalisation of wholesale deliveries of bread. In some cases this will involve the transfer of retailers' registrations to new wholesalers, with the result that some members of the public may get loaves of a shape and texture new to them. This is likely to be a small hardship. Generally speaking, the public has taken with good grace every adjustment which has been made in the production and distribution of bread. The "Eat More Potatoes" campaign has resulted in an increase in the consumption of potatoes, although reduced bread consumption—its proper counterpart—has been nothing like proportionate. Potato consumption in 1942-3 was over half a million tons more than in 1941-2, an increase of 12 per cent, and an increase of 50 per cent over the average consump-

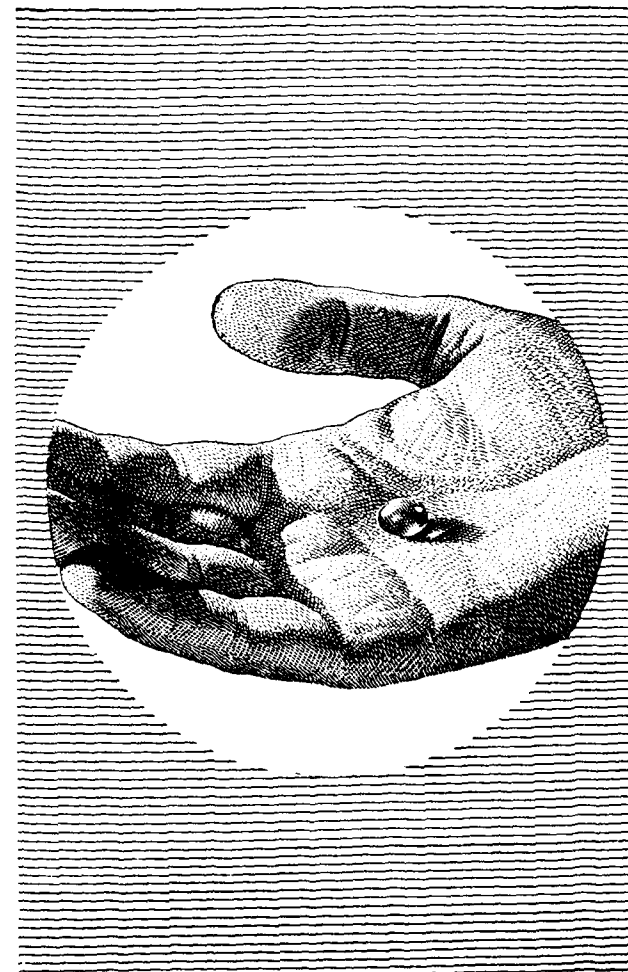
tion for the years 1934 to 1938. Consumption is still rising, and last August was 14 per cent above that of August, 1942. During May and June, the Ministry of Food inquired about the effects of the potato campaign on 2,000 rural and urban households. No fewer than 1,200 had eaten more potatoes during the previous six months, 89 per cent of the total from a desire to save shipping space. To achieve additional consumption, a more versatile use of potatoes in the kitchen has been made. Of the 2,000 housewives, 32 per cent declared their households' consumption had risen as a result of the cooking of potato dishes, 22 per cent by the serving of potatoes for breakfast, 10 per cent by the use of potatoes as a part substitute for flour, and 47 per cent by their greater use as a plain vegetable.

Opencast Coal

The Prime Minister said in last week's coal debate that opencast or "outcrop" coal was already making a substantial contribution towards meeting the deficit in deep-mined coal production, and that output might be expected to reach between 10 and 15 million tons during the next coal year. Mr John Innes, Director of Opencast production at the Ministry of Fuel, hopes that the target of 15 million tons may be reached, as a result of the introduction of about £3 million worth of American machinery, which Major-General Appleyard, his opposite number at the Ministry of Works, negotiated during a recent visit to the United States. (The Ministry of Works is responsible for actual operations in opencast production, which is a civil engineering and not a mining process.) Production of opencast coal has been steadily rising, and reached a peak this summer of 135,000 tons a week. The Ministry hopes that, in spite of weather conditions, which might impede operations, output will be maintained at around 100,000 tons a week this winter. It will, therefore, not ease the coal problem to any extent this winter, but next summer, with output not far short of 500,000 tons a week, it should be possible to build up stocks for the winter of 1944-5. Industries were at first slow to use opencast coal, and objections were raised to its quality, which arose chiefly from the fact that it was often mixed with clay and soil. When properly screened and sized, however, a great deal of outcrop coal is of first-class quality, and eminently suitable for gas-producing and steam-raising plants. The railways are using it to a limited extent. Moreover, it enables the release of the highest-grade coal for essential purposes. The chief problems that have to be dealt with, and which the Ministry is hoping to put right before the spring, are transport and supplies of screening plant. The railway system is already heavily burdened, and is handicapped by a shortage of waggons. It is proposed to build and extend railway sidings and to make more use of road transport facilities. Industries and combustion engineers are being asked to co-operate in utilising outcrop coal, and to conserve deep-mined coal for stocks. Opencast sites are generally worked out within a few months, and the land is then put back into agricultural production; it is said that the operations actually enhance its value. It is satisfactory to know that the Government is tackling opencast production with such energy, though it is difficult to avoid the suspicion that there has been some delay in realising the possibilities of a development which has largely been left to a few enterprising private contractors to initiate.

The Rate for the Job

The court of inquiry, headed by Lord Wark, which was appointed in July to investigate a dispute that had arisen in a West of Scotland engineering firm over the "rate for the job" has issued a somewhat inconclusive report. To the Amalgamated Engineering Union, which had regarded this as a "test case," the report may be something of a disappointment, though in some respects it substantiates the contention that the firm had been evading the terms of the union's agreement of May, 1940, with the Engineering Employers' Federation. This "relaxation" agreement provided that where a woman was employed on a man's job she should be paid the full man's rate after 32 weeks, if she performed the job without extra supervision or assistance—rates in proportion to the men's were laid down for the initial period and according to the degree of supervision required. The difficulty has arisen from the interpretation of the phrase "work commonly performed by women." The employers' case was that most of the processes were new ones, for which no rates had been laid down, and that



AN ESSENTIAL OF WARTIME DIET

Stored in this tiny capsule are two vitamins without which it is impossible to maintain health. They are 'protective' vitamin A and 'sunshine' vitamin D and, unfortunately, they are not always readily obtainable in a wartime diet.

A daily dose of Crookes' Halibut Oil—one of the richest natural sources of these vitamins—will build up your resistance and stamina and prove of inestimable value during this fifth winter of war.

CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES — PER BOTTLE OF 100 — 8/6

LIQUID — PER PHIAL — ENOUGH FOR 16 DAYS 2/-

the factory had been designed to be operated largely by unskilled labour; the proportion of skilled labour employed is as low as 4½ per cent at the present time. The court of inquiry found that the company failed to observe the agreement in respect of a number of jobs performed by women, and that, though many of the operations might be regarded as "commonly performed by women," this was certainly not applicable over the whole factory. On the other hand, it agreed that many of the jobs were so new that it was impossible to determine whether men's or women's rates should be applied. It, therefore, recommended that negotiations should be resumed upon a system of grading and classification, with resort, if necessary, to an arbitrator. As mentioned in *The Economist* of October 16th, the AEU itself is very anxious to secure a grading of the various machine and assembly processes in engineering. Negotiations have already commenced between the employers and the representatives of the AEU and Transport and General Workers' Union at the factory in question.

* * *

Drapery Profits

Unlike most of the stores, companies of the Debenhams group make up their accounts in July or thereabouts. In consequence, the figures and comment just published carry the story a step further, and it is rather surprising that the change in the six months since the January contribution became available is slight. Group profits and those of the company show a rise on the year. Group figures are only available for two years, but the rise shown a year ago in the net figure of the parent is now fully maintained, while the stock in trade of both parent and group continues to rise. A large part of the improved result must be due to the three West End subsidiaries, Debenhams, Marshalls and Harvey Nichols. The fact that all of these do better and better is a reflection, not only of increased spending power, but, in some measure, of the growing realisation that economy of coupons can be secured by buying the best that is available. This is as anticipated, but it is rather surprising that there continues to be a sufficiently large supply of better-class goods to permit of the results disclosed. The same argument applies, perhaps in equal measure, to some of the provincial stores controlled by the group, which are, largely, situated in seaside resorts and county towns. In considering the figure of stocks it must be remembered that purchase tax is largely responsible for the high level, but this is likely to be a diminishing factor in view of the growing preponderance of utility goods. The group is not, however, without interests in the suburbs and other provincial towns where the demand is perhaps mainly for utility goods. It seems very doubtful whether total profits can be maintained, as the clothes ration will be running at a rather lower level than the average for the year just ended, and the percentage of utility goods will, presumably, increase still further. Indeed, the chairman discloses the fact that results so far show a falling off, but he is none the less confident that the final result will be reasonably satisfactory.

* * *

Pulp and Paper Supplies

In August, 1943, the Combined Production and Resources Board and the Combined Raw Materials Board jointly appointed a committee

to ascertain and report in correlated form the facts concerning the requirements and supplies, uses, production and distribution of products of the pulp and paper industries of the United States, Canada and the United Kingdom.

This decision caused no surprise, for the paper shortage, which has been pronounced in this country since the early days of the war, and especially since the loss of the Scandinavian supplies of wood-pulp and newsprint, has recently become more serious also in North America. Canada has reduced its paper shipments to the United States, and at the current level of consumption the latter is unable to close the gap between supplies and demand. According to the US War Production Board, the production of paper and paper board in the United States declined from 8,843,278 short tons in the first half of 1942 to 8,398,594 tons in the corresponding period this year. The main reasons for the North American pulp and paper shortage seem to be the shortage of manpower and electricity in all stages of production, from the cutting of the pulp-wood to the finishing of the paper. A number of steps have been taken to adjust consumption to supplies. Thus, newsprint consumption by the larger American newspaper publishers, which so far had been limited to 100 per cent of the

tonnage used in printing "the net paid circulation" during the corresponding quarter of 1941, plus a 3 per cent allowance for waste, was reduced by 5 per cent from the middle of this year. Moreover, since August 1st, maximum stocks of newsprint in the hands of publishers have been reduced from 75 to 50 days' requirements, and since September 1st commercial printers who have unused paper quotas are no longer allowed to utilise these for magazines and books. New standards and maximum weights of the six chief categories of writing and printing papers were officially introduced in the United States on September 1st. This decision, while maintaining the weight of production at the previous total, has increased "the area of paper" available by no less than 15 per cent. Some alleviation of the position is also expected from an extension of the paper salvage campaign to all states east of the Mississippi River and to several states beyond. The US War Production Board has initiated a "Special Timber Production War Project" to increase supplies of wood, including pulp-wood. The present shortage in some classes of timber, including building, boxing and crating timber, is now more serious than that of paper, so that the new timber production drive will hardly be concentrated on the cutting of pulp-wood. In these conditions, the prevailing optimism in this country that the improved Allied shipping situation will soon lead to a substantial increase in United Kingdom supplies appears premature, although restrictions on paper consumption in this country are far more stringent than the mild limitations recently imposed in North America.

* * *

Political Adviser for Unilever

By inviting Professor Mitrany to act as their adviser, Lever Brothers and Unilever declare their wish to study the wide social and political problems in which their vast organisation is necessarily involved. The company's interests stretch all over the world, and their raw material subsidiaries bring them in touch with native affairs in Nigeria, the Congo and the Pacific; this means that they are a powerful force to be reckoned with in British colonial administration. In many respects they hold the position of a state within a state in these areas, since the impact of such a body upon the lives of natives is more thoroughgoing than is usually realised. This being so, Professor Mitrany's expert knowledge of the international sphere will stand him in good stead. He is to be free of business responsibilities, but will pay special attention to ways of improving local conditions, which are of course closely related to business factors. Nobody who knows the Professor's distinguished career can doubt that, given the facilities, he will achieve much important research. The value of his appointment, however, will depend upon how far the company make use of his suggestions, even when they conflict with maximising profits, as most reforms inevitably will on anything but a very long-term view. It is quite true, as the company remarks, that "the most desirable policy for a business organisation is one which helps to improve local conditions in the country in which it operates," and in the very long run this aim may be worth initial financial sacrifices. Possibly the group can afford to ignore purely financial considerations in view of its quasi-monopoly powers. However, the improvement of conditions is also the function of the state, and the hope seems to be entertained that Professor Mitrany will act as liaison officer between the company and the authorities in this field and point out, perhaps, where the latter can help. The appointment is at least designed to increase co-operation between private enterprise and public authority "in the guidance of the economic process," and this co-operation to be an effective partnership must require a real disinterestedness on the part of the company as well as a willingness to be guided on the part of the state. Granted that any concern should have the power greatly to affect the lives of so many people, that they should have an adviser of this calibre is certainly a good thing, and it is to be hoped that Lever Brothers and Unilever will make full use of a type of service which they rightly regard themselves as being unique in possessing.

* * *

Correction

In a Note entitled "Shoe Repairs" on page 535 of *The Economist* of October 16th, it was said that "As many as 27,000 of the total of about 8,000 establishments are one-man businesses." The latter figure should have been 38,000.

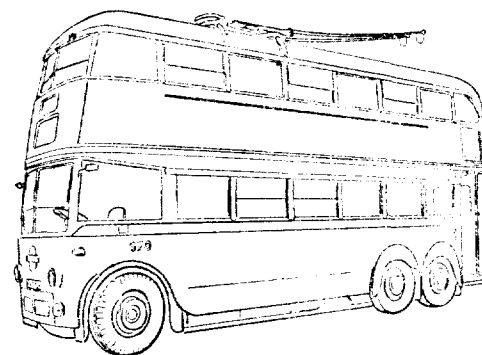
(For Company Results see page 568)

BENEFACTORS OF MANKIND



GEORGE STEPHENSON (1781-1848)

Stephenson wrote: "I have fought for the locomotive single-handed for nearly twenty years. I have put up with every rebuff determined not to be put down." His memorial is in the iron ribbon which runs over the face of Great Britain, and in the mighty locomotives evolved since the "Rocket".



Foresight

MODERN rail transport in Great Britain owes its growth largely to the foresight of George Stephenson, known as "The Father of Railways". He fought stubbornly for the locomotive against cable haulage for rail transport. In the end he triumphed brilliantly. The form of haulage was decided by competition, which was won by the famous "Rocket". The Scotsman records: "The experiments at Liverpool have established principles which will give a greater impulse to civilisation than it has ever received from any single cause"

In the world of Electricity the products of The BRUSH Electrical Engineering Co. Ltd., have been developed for the future as well as for the present needs of humanity.



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

(Continued on page 572)

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	Oct. 15, 1942	Sept. 15, 1942	Oct. 15, 1943	Sept. 15, 1943
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and	2,710	1,810	1,700	1,610
due from Treasury	20,567	19,882	19,898	19,875
Total reserves	20,828	20,344	20,341	20,308
Total cash reserves	243	331	330	319
Total U.S. Govt. secs.	3,809	9,168	9,387	9,061
Total bills and sec.	3,836	9,193	9,412	9,092
Total resources	26,473	31,548	31,574	31,253

	Oct. 15, 1942	Sept. 15, 1942	Oct. 15, 1943	Sept. 15, 1943
LIABILITIES				
U.R. notes in circ.	10,910	15,243	15,309	15,386
Excess int. bank res.	2,710	1,810	1,700	1,610
Mr. bank res. dep.	12,303	12,054	11,903	12,021
Govt. deposits	123	632	1,013	930
Total deposits	13,708	14,385	14,550	14,022
Total liabilities	26,473	31,548	31,574	31,253
Reserve ratio	84.6%	68.7%	68.1%	69.1%

	Oct. 15, 1942	Sept. 15, 1942	Oct. 15, 1943	Sept. 15, 1943
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,758	22,175	22,176	22,155
Treasury & bank currency	3,359	4,096	4,098	4,099
LIABILITIES				
Money in circulation	13,932	18,814	18,883	18,978
Treasury cash and dep.	2,351	2,956	3,292	2,661

BANK FOR INTERNATIONAL SETTLEMENTS—Million Swiss francs of 0.29 grammes

	July 31, 1942	May 31, 1943	June 30, 1943	July 31, 1943
ASSETS				
Gold in bars	65.2	75.8	78.5	78.7
Cash	35.9	27.9	25.1	23.4
Sight funds	15.8	15.6	16.2	15.8
Commercial bills	114.0	122.8	125.5	123.3
Treasury bills	30.4	26.3	22.9	28.5
Time funds at interest	20.9	20.9	21.4	21.4
Sundry bills and invest.	199.7	194.7	196.8	192.7
LIABILITIES				
Deposits:				
Annuity	152.7	152.7	152.7	152.7
German	76.3	76.3	76.3	76.3
Central Banks	15.9	15.2	16.8	15.8
Other	4.2	1.3	1.0	1.3
Gold	37.7	38.9	39.4	40.9

SOUTH AFRICAN RESERVE BANK
Million £'s

	Aug. 21, 1942	Aug. 13, 1943	Aug. 13, 1943	Aug. 13, 1943
ASSETS				
Gold coin and bullion	62.93	74.16	74.52	75.78
Bills discounted	0.85	12.95	12.86	11.40
Invest. and other assets	59.88	69.92	69.75	66.79
LIABILITIES				
Notes in circulation	32.83	45.89	44.49	44.24
Deposits: Government	7.07	5.19	7.56	5.94
Banks	74.85	116.32	117.12	115.81
Others	4.86	4.70	3.18	4.20
Reserve ratio	52.7%	43.1%	43.2%	44.7%

RESERVE BANK OF INDIA
Million rupees

	Oct. 2, 1942	Sept. 10, 1942	Sept. 24, 1942	Oct. 1, 1943
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	264	142	145	150
Balances abroad	885	1,033	997	1,082
Sterling securities	3,048	6,318	6,418	6,418
Ind. Govt. rup. sec.	1,324	834	734	734
Investments	65	78	77	76
LIABILITIES				
Notes in circ.: India	4,978	7,620	7,604	7,597
Burmah	246	284	270	334
Deposits: Govt.	648	715	680	733
Banks	68.8%	87.4%	88.7%	89.2%
Reserve ratio	68.8%	87.4%	88.7%	89.2%

NATIONAL BANK OF EGYPT
Million £E

	July 31, 1942	June 30, 1943	July 31, 1943	Aug. 31, 1943
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Govt. sec.	65.96	78.46	81.26	81.26
Egyptian Govt. sec.	1.50	1.50	1.50	1.50
Cash	2.91	4.07	3.82	3.82
Investments	95.45	99.55	102.05	105.92
Bills and advances	2.96	3.72	3.19	2.73
LIABILITIES				
Notes issued	73.70	86.20	89.00	90.88
Deposits: Govt.	20.27	48.67	43.68	41.55
Other depts. and sects.	40.46	69.55	72.99	80.33

* Egyptian, Sudan and Mixed Tribunals.

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average					1942	1943									
		1929	1932	1939	1940	1941	1942	Aug.	Sept.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)																	
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937=100	...	78	108	111	110	114	110	105	112	115	118	117	119	115	111	...
2. " " Other merchandise	...	...	83	102	107	109	108	86	100	81	94	110	112	119	115	79	...
3. " " Total	...	...	81	105	109	108	112	98	101	96	106	112	114	120	115	96	...
4. Registered unemployed G.B.*†	Thousands	1,212	2,756	1,514	963	350	123	108	98	101	96	106	112	119	115	96	...
5. " " United Kingdom (a)	...	1,276	2,813	1,690	1,035	392	144	132	122	...	...	80	...	...	78	...	...
6. " " London & S. England (b)	...	118	306	239	214	59	29	26	24	...	...	98	...	...	90	...	...
7. " " E. and S. England (b)	...	50	142	93	99	28	10	7	7	...	...	16	...	...	14	...	...
8. " " Midlands & N. Midlands (c) (d)	...	69	157	76	33	16	5	4	3	...	...	5	...	...	4	...	...
9. " " N.E. England (d)	...	165	371	153	92	28	7	6	5	...	...	2	...	...	2	...	...
10. " " N.W. England (e)	...	280	602	151	75	30	8	8	7	...	...	3	...	...	3	...	...
11. " " Northern	...	285	562	309	149	54	15	16	13	...	...	5	...	...	5	...	...
12. " " Scotland	...	156	378	217	125	51	24	12	11	...	...	10	...	...	10	...	...
13. " " Wales	...	116	228	127	89	41	14	21	21	...	...	9	...	...	8	...	...
14. " " Northern Ireland	...	36	68	76	75	42	21	18	15	...	...	18	...	...	17	...	...
15. Industr. disputes. No. days lost	...	676	541	107	78	87	126	38	53	...	...	12	...	...	10	...	...
										...	...	18	...	...	17	...	...
Wholesale Prices: Economist										34	122	68	178	112	98	139	...
17. Cereals and meat	1929=100	100	70.4	76.2	93.9	102.4	110.1	111.2	111.5	112.7	115.8	114.1	113.9	114.3	114.8	113.5	113.5
18. Other foods	...	100	72.8	76.4	95.4	101.0	118.3	118.4	123.0	125.3	125.1	125.3	125.3	125.3	125.3	125.3	125.3
19. Textiles	...	100	53.4	63.8	93.0	100.7	100.7	98.3	100.8	99.9	100.2	101.4	100.5	100.5	100.5	100.5	100.5
20. Minerals	...	100	76.3	100.0	125.0	135.7	139.2	137.9	143.5	141.1	142.2	142.2	142.2	142.2	142.2	142.2	142.2
21. Total, incl. miscellaneous	...	100	67.8	80.3	104.3	114.4	120.1	119.3	122.1	122.7	123.6	124.0	124.2	124.2	123.7	123.7	123.7
Cost of Living: Min. of Labour:																	
22. Food	"	100	81.8	92.4	107.2	108.7	104.9	103.9	105.2	107.1	107.1	107.1	107.1	109.1	106.5	107.8	...
23. Total	"	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	121.3	120.7	121.3	120.7	122.0	121.3	120.7	...
24. Industrial securities, Fin. News	Jul. 1, 1935=100	102.0	107.8	116.8	122.8	122.8	122.8	122.8	122.8	121.3	120.7	121.3	120.7	122.0	121.3	120.7	...
25. Fixed interest	1928=100	96.8	113.6	116.8	122.8	122.8	122.8	122.8	122.8	121.3	120.7	121.3	120.7	122.0	121.3	120.7	...
26. Govt. Revenue, cumulative (f)	Mill. £'s	815.0	827.0	1,132.0	1,495.0	2,174.0	2,739.0	3,133.0	3,353.0	3,366.0	3,366.0	3,366.0	3,366.0	3,366.0	3,366.0	3,366.0	...
27. " " expenditure (f)	...	829.5	859.3	1,408.2	2,397.0	3,740.0	4,787.0	5,739.0	6,547.0	6,547.0	6,547.0	6,547.0	6,547.0	6,547.0	6,547.0	6,547.0	...
28. Bank of Eng.: Notes in circ. (g)	...	362.3	258.5	509.9	566	651.3	806.9	914.4	927.9	943.8	943.8	943.8	943.8	943.8	943.8	943.8	...
29. " Bankers' deposits (g)	...	62.9	81.3	102.8	110	121.1	136.3	133.8	136.9	152.4	159.1	172.0	153.2	165.7	156.2	150.8	...
30. " Gov. sec. B'king Dept. (g)	...	55.9	64.0	107.0	143	142.8	150.7	136.7	135.9	173.8	186.6	159.3	184.9	170.8	170.7	188.1	...
Clearing Banks: (h)																	
31. " Deposits	"	1,738	1,791	2,248	2,484	2,970	3,376	3,305	3,358	3,525	3,542	3,545	3,566	3,630	3,628	3,670	3,711
32. " Cash & bal. with B.E.	"	194	187	244	265	311	344	351	349	373	377	375	377	375	375	383	383
33. " Discounts	"	229	308	255	366	231	235	283	277	148	172	128	154	236	244	232	232
34. " Treasury Deposit Receipts	"	991	844	991	944	849	795	784	744	932	884	964	924	859	900	957	1,000
35. " Advances	"	257	348	608	659	919	1,069	1,082	1,097	1,132	1,132	1,137	1,150	1,159	1,162	1,162	1,162
36. " Investments	"	5,498	3,008	2,942	2	2	2	2	2	2	2	2	2	2	2	2	2
37. Interest Rates: Bank rate	Per cent.	5.498	1.808	1.18	2.04	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	...	5.26	1.87	1.18	2.04	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. " Day to day loans	...	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. " Yield on 2½ Consols	...	4.61	3.75	3.76	3.40	3.12	3.02	3.02	3.02	3.02	3.02	3.02	3.02	3.02	3.02	3.02	3.02

* From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment.

† From January 1943 the figures are published at quarterly intervals.

(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 instead of North-Western England.
 (e) From December, 1941, High Peak Parliamentary Division of Derbyshire included in North Midlands.
 (f) Ordinary and self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown.
 (g) Average of weekly figures.
 (h) Annual figures for 1929 and 1932 do not include District Bank.

Fish Division.—Mr John Adamson, Director of the Fish Division of the Ministry of Food, is relinquishing his duties, and Mr F. S. Anderson, at present serving as Divisional Food Officer in the North-East of Scotland Division, will succeed him on December 31, 1943.

Corsets Restrictions.—A General Licence (S.R. & O. 1943

No. 1408) has been issued under the Making of Civilian Clothing (Restrictions) (No. 16) Order, 1942, to relax certain restrictions on manufacture, with the object of stimulating the production of more durable garments, particularly in heavy types of corset. The points covered have been discussed with the trade. The principal change is that the weight of metal in certain laced corsets has been increased.

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, Oct. 12, 1943	Price, Oct. 19, 1943	Yield, Oct. 19, 1943	Prices, Year 1943		Last Two Dividends			Name of Security	Price, Oct. 12, 1943	Price, Oct. 19, 1943	Yield, Oct. 19, 1943	
High	Low	High	Low					High	Low	(a)	(b)	(c)					
83 1/2	81	83 1/2	78 1/2	British Funds	79 1/2	79 1/2	5 1/2	51/9	46 7/8	7	b	a	Iron, Coal and Steel	47 9	48 6	4 10 s. d.	
113 1/2	109 1/2	113 1/2	109 1/2	Consols 2 1/2 (after 1957)	110 1/2	110 1/2	3 2 1/2	57 1/4	49 1/2	11 1/2	b	a	Barbican & Wilcox	51 3	50 6	5 18 6	
100 1/2	99 1/2	100 1/2	100 1/2	Consols 4 1/2 (after 1957)	100 1/2	100 1/2	2 19 9/16	31 1/2	26 3	23 1/2	a	b	Bolsover Colliery Ord. 1/2	27 9	27 6	3 12 6	
101 1/2	101 1/2	101 1/2	101 1/2	Conv. 2 1/2 1943-45	102 1/2	102 1/2	2 19 9/16	23 1/2	23 1/2	5	b	a	Brown (John) Ord. 10 1/2	23 3	23 3	2 12 6	
101 1/2	101 1/2	101 1/2	101 1/2	Conv. 2 1/2 1944-49	102 1/2	102 1/2	2 19 9/16	23 1/2	23 1/2	5	b	a	Calveley Colliery Ord. 10 1/2	30 9	29 9	5 7 9	
101 1/2	101 1/2	101 1/2	101 1/2	Conv. 3 1/2 1948-53	103 1/2	103 1/2	2 19 9/16	35 1/2	30 1/2	Nil	a	a	Derwent Long Ord. 1 1/2	35 1/2	34 9	5 14 0	
101 1/2	101 1/2	101 1/2	101 1/2	Conv. 3 1/2 (after 1961)	103 1/2	103 1/2	2 19 9/16	35 1/2	30 1/2	Nil	a	a	Guest Keen & Co. Ord. 1 1/2	30 1/2	30 9	7 6 0	
101 1/2	101 1/2	101 1/2	101 1/2	Conv. 5 1/2 1944-64	104 1/2	104 1/2	2 19 9/16	49 1/2	49 1/2	12 1/2	a	b	Hadfields Ord. 10 1/2	52 9	52 9	2 9 3 1/2	
96 1/2	93 1/2	97 1/2	95 1/2	Funding 2 1/2 1956-61	95 1/2	95 1/2	2 16 3	54 7/8	50 1/2	12 1/2	c	c	Staveley Coal Ord. 1 1/2	53 1/2	52 6	4 15 0	
101 1/2	98 1/2	101 1/2	99 1/2	Funding 2 1/2 1956-61	100 1/2	100 1/2	2 16 3	39 10 1/2	34 6	6	b	a	Swan, Hunter Ord. 1 1/2	35 1/2	34 9	5 14 0	
101 1/2	98 1/2	101 1/2	99 1/2	Funding 3 1/2 1959-69	100 1/2	100 1/2	2 16 3	11 6	8 3/5	5	c	10	Thomas (Richard) Ord. 6 1/2	24 9	25 1/2	6 8 0	
101 1/2	98 1/2	101 1/2	99 1/2	Funding 4 1/2 1960-90	101 1/2	101 1/2	2 16 3	24 1/2	24 1/2	2 1/2	a	b	United States Steel Ord. 1 1/2	19 1/2	18 6	5 2 0	
101 1/2	98 1/2	101 1/2	99 1/2	Funding 4 1/2 1960-90	101 1/2	101 1/2	2 16 3	20 10 1/2	17 10 1/2	6	b	c	Vickers Ord. 10 1/2	22 3	22 6	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	Nat. Def. 2 1/2 1944-48	101 1/2	101 1/2	2 18 0	14 3	14 3	Nil	c	Nil	Bradford Dyes Ord. 1 1/2	32 6	32 1/2	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	Nat. Def. 3 1/2 1954-58	102 1/2	102 1/2	2 18 0	15 9	15 9	Nil	c	Nil	British Celanese Ord. 10 1/2	47 6	47 6	3 14 6	
101 1/2	98 1/2	101 1/2	99 1/2	Nat. Def. 4 1/2 1959-62	102 1/2	102 1/2	2 18 0	36 3	31 3	5	b	a	Coats, J. & P. Ord. 1 1/2	53 9	53 3	2 6 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 2 1/2 1945-47	102 1/2	102 1/2	2 18 0	56 1/4	45 1/2	5	b	a	Courtaulds Ord. 1 1/2	23 3	23 3	3 5 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 3 1/2 1946-48	102 1/2	102 1/2	2 18 0	24 9	15 3	5	c	3	Pine Cotton Spinners 1 1/2	37 1/2	37 1/2	4 1 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 4 1/2 1949-51	103 1/2	103 1/2	2 18 0	31 1/2	31 1/2	7 1/2	a	7 1/2	Electrical Manufacts.	101 3	98 9	4 0 9	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 5 1/2 1952-54	104 1/2	104 1/2	2 18 0	26 7 1/2	24 9	12 1/2	b	a	Callenders Cable, Etc. 1 1/2	26 1/2	26 1/2	3 16 3	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 6 1/2 1955-57	104 1/2	104 1/2	2 18 0	50 1 1/2	44 6	10	c	10	Crompton Park 'A' 5 1/2	48 1/2	48 1/2	4 3 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 7 1/2 1958-60	105 1/2	105 1/2	2 18 0	91 6	85 1/2	17 1/2	c	17 1/2	English Electric Ord. 1 1/2	91 1/2	91 1/2	3 16 9	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 8 1/2 1961-63	106 1/2	106 1/2	2 18 0	43 3	37 1/2	3	a	5	General Electric Ord. 1 1/2	40 6	40 6	3 19 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 9 1/2 1964-66	107 1/2	107 1/2	2 18 0	35 1/2	30 1/2	1	a	5	City of London 1 1/2	19 3	19 3	2 12 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 10 1/2 1967-69	108 1/2	108 1/2	2 18 0	42 9	39 3	5	b	3	North-East Electric 1 1/2	32 6	32 6	4 8 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 11 1/2 1970-72	109 1/2	109 1/2	2 18 0	37 1/2	33 1/2	5	b	3	Scottish Power Ord. 1 1/2	41 1/2	41 1/2	3 18 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 12 1/2 1973-75	110 1/2	110 1/2	2 18 0	28 6	19 7 1/2	10	c	20	c	Yorkshire Electric 1 1/2	25 9	27 1/2	1 17 0
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 13 1/2 1976-78	111 1/2	111 1/2	2 18 0	25 9	22 1/2	7 1/2	a	7 1/2	Austin 'A' Ord. 5 1/2	25 1/2	25 1/2	5 18 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 14 1/2 1979-81	112 1/2	112 1/2	2 18 0	15 3	12 1/2	4	a	6	Birmingham S.A. 1 1/2	14 1/2	14 1/2	7 2 9	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 15 1/2 1982-84	113 1/2	113 1/2	2 18 0	16 3	16 3	15	a	6	Bristol Aeroplane 10 1/2	16 7 1/2	16 10 1/2	4 14 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 16 1/2 1985-87	114 1/2	114 1/2	2 18 0	30 1/2	30 1/2	18	c	18	Forey Aircraft Ord. 10 1/2	34 6	33 9	3 11 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 17 1/2 1988-90	115 1/2	115 1/2	2 18 0	16 7 1/2	16 7 1/2	7	b	5	Ford Motors Ord. 1 1/2	17 1/2	17 1/2	9 11 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 18 1/2 1991-93	116 1/2	116 1/2	2 18 0	68 9	68 9	2 1/2	a	12 1/2	Hawker Siddeley 5 1/2	76 3	75 4	4 0 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 19 1/2 1994-96	117 1/2	117 1/2	2 18 0	37 6	37 6	11 0	a	12 1/2	Lucas (Joseph) Ord. 1 1/2	43 6	43 6	2 0 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 20 1/2 1997-99	118 1/2	118 1/2	2 18 0	18 1 1/2	18 1 1/2	20	c	20	Morris Motors 5 1/2 Ord.	108 1 1/2	108 9	3 13 3	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 21 1/2 2000-02	119 1/2	119 1/2	2 18 0	26 1/2	22 6	6	b	2	Rolls-Royce Ord. 1 1/2	22 9	23 3	2 3 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 22 1/2 2003-05	120 1/2	120 1/2	2 18 0	30 3	30 3	6	b	2	Shipping	24 9	24 9	4 16 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 23 1/2 2006-08	121 1/2	121 1/2	2 18 0	22 1 1/2	22 1 1/2	5	c	6	Furness, Withy Ord. 1 1/2	33 1/2	33 1/2	4 16 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 24 1/2 2009-11	122 1/2	122 1/2	2 18 0	19 7 1/2	16 7 1/2	5	c	5	P. & O. Def. 1 1/2	23 1/2	23 1/2	5 4 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 25 1/2 2012-14	123 1/2	123 1/2	2 18 0	11 6	8 3/5	6	c	6	Royal Mail Lines Ord. 1 1/2	18 3	18 3	5 9 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 26 1/2 2015-17	124 1/2	124 1/2	2 18 0	11 6	8 3/5	6	c	6	United Castle Ord. 1 1/2	10 1/2	10 1/2	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 27 1/2 2018-20	125 1/2	125 1/2	2 18 0	11 6	8 3/5	6	c	6	Tea and Rubber	10 1/2	10 1/2	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 28 1/2 2021-23	126 1/2	126 1/2	2 18 0	12 1/2	12 1/2	24 1/2	a	24 1/2	Alied Sumatra Rbr. 1 1/2	15 9	16 1/2	5 12 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 29 1/2 2024-26	127 1/2	127 1/2	2 18 0	35 1/2	35 1/2	24 1/2	a	24 1/2	Anglo-Indo-China Rbr. 1 1/2	36 1/2	35 6	5 12 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 30 1/2 2027-29	128 1/2	128 1/2	2 18 0	5 1/6	5 1/6	6	b	Nil	Jokai (Assam) Tea 1 1/2	2 1/2	2 1/2	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 31 1/2 2030-32	129 1/2	129 1/2	2 18 0	20 9	14 10 1/2	3	c	Nil	London Asiatic Rbr. 2 1/2	18 9	19 1/2	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 32 1/2 2033-35	130 1/2	130 1/2	2 18 0	2 1/4	2 1/4	9	c	Nil	Rubber Plims. Trust 1 1/2	1 1/11	1 1/10	Nil	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 33 1/2 2036-38	131 1/2	131 1/2	2 18 0	78 1 1/2	78 1 1/2	5	a	15	United Serdang Rbr. 2 1/2	103 9	101 3	3 19 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 34 1/2 2039-41	132 1/2	132 1/2	2 18 0	72 6	72 6	10	b	5	Anglo-Iranian Ord. 1 1/2	81 3	80 7 1/2	3 2 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 35 1/2 2042-44	133 1/2	133 1/2	2 18 0	63 9	63 9	12 1/2	a	12 1/2	Burmah Oil Ord. 1 1/2	83 1 1/2	81 10 1/2	1 4 3 1/2	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 36 1/2 2045-47	134 1/2	134 1/2	2 18 0	95 7 1/2	95 7 1/2	10	b	5	Shell Transport Ord. 1 1/2	52 6	52 6	3 7 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 37 1/2 2048-50	135 1/2	135 1/2	2 18 0	55 1/2	55 1/2	10	c	24	Trinidad Leaseholds 1 1/2	65 1/2	65 1/2	2 15 3	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 38 1/2 2051-53	136 1/2	136 1/2	2 18 0	68 4 1/2	68 4 1/2	10	c	24	Assoc. P. Cement Ord. 1 1/2	67 6	67 3	2 19 9	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 39 1/2 2054-56	137 1/2	137 1/2	2 18 0	55 1/2	55 1/2	24	a	20	Barker (John) Ord. 1 1/2	43 1/2	42 9	4 4 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 40 1/2 2057-59	138 1/2	138 1/2	2 18 0	46 6	46 6	7	b	3	Boots Pure Drug Ord. 5 1/2	47 1/2	47 1/2	4 4 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 41 1/2 2060-62	139 1/2	139 1/2	2 18 0	96 3/4	96 3/4	14 1/2	a	10	British Aluminium 1 1/2	105 9	105 3	17 5 1/2	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 42 1/2 2063-65	140 1/2	140 1/2	2 18 0	70 6	70 6	8	b	10	Brit.-Amer. Tobacco 1 1/2	80 1/2	79 1/2	3 16 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 43 1/2 2066-68	141 1/2	141 1/2	2 18 0	82 1/2	82 1/2	10	c	8	British Oxygen Ord. 1 1/2	77 1/2	77 1/2	5 3 3	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 44 1/2 2069-71	142 1/2	142 1/2	2 18 0	138 1 1/2	138 1 1/2	15	b	12 1/2	Cable & Wire Hdg. Sks. 7 1/2	135 1/2	135 1/2	4 1 6	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 45 1/2 2072-74	143 1/2	143 1/2	2 18 0	40 4 1/2	40 4 1/2	8	c	8	Carreras 'A' Ord. 1 1/2	39 1/2	39 1/2	4 2 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 46 1/2 2075-77	144 1/2	144 1/2	2 18 0	28 6	28 6	6	c	8	Dunlop Rubber Ord. 1 1/2	26 9	26 6	3 0 0	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 47 1/2 2078-80	145 1/2	145 1/2	2 18 0	34 6	34 6	12 1/2	a	12 1/2	Elec. & Mus. Ind. 10 1/2	32 3 1/2	32 3 1/2	3 17 9	
101 1/2	98 1/2	101 1/2	99 1/2	War Bonds 48 1/2 2081-83	146 1/2	146											

(Continued from page 568)

Market Rates.—The following rates remained unchanged between Oct. 15th and Oct. 21st:

Egypt. Piastres (974) 974-1. **India.** Rupee (18d. per rupee) 174-184d. **Belgian Congo.** Francs 1764-1. **China.** National \$3-54. **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 16-03 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 one pm.-par.

NEW YORK EXCHANGE RATES

New York on	Oct. 13	Oct. 14	Oct. 15	Oct. 16	Oct. 18	Oct. 19	Oct. 20
Cables —							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	88-250	89-830	89-000	88-930	89-500	89-750	89-750
Zurich	32-25	32-80	32-80	32-80	33-25	33-25	33-25
B. Aires	25-02*	25-02*	25-02*	25-02*	25-02*	25-02*	25-02*
Rio	5-15	5-15	5-15	5-15	5-15	5-15	5-15
Lisbon	4-10	4-10	4-10	4-10	4-10	4-10	4-10
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official buying rate 29-78. † Free rate. ‡ Bid.

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943		Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
				30 Ord. shares*	20 Fixed Int.†
Oct.	14	5,425	5,002	104-5	133-7
"	15	5,533	4,574	104-9	133-8
"	18	6,196	5,932	104-4	133-9
"	19	5,457	4,843	104-5	133-9
"	20	5,108	5,527	104-1	134-1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106-1 (Oct. 1); lowest, 94-1 (Jan. 4). 20 Fixed Int., 1943: highest, 136-8 (Jan. 22); lowest, 133-1 (Sept. 8).

New York

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

	1943	Sept. 29, 1943	Oct. 6, 1943	Oct. 13, 1943
	Low Jan. 6	High July 13		
37 Industrials	81-1	103-5	98-1	95-2
32 Rails	72-6	99-9	91-9	91-0
40 Utilities	67-9	89-6a	87-3	86-0
419 Stocks	78-5	100-9	96-0	93-5
Av. yield %	5-36	4-35	4-60	4-75

* 50 Common Stocks. (a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Oct. 7	115-2	854,000	Oct. 11	115-5	480,000
" 8	115-7	559,000	" 12	(a)	(a)
" 9	116-5	226,000†	" 13	115-5	592,000

1943: High, 125-4 (July 14); Low, 99-3 (Jan. 2). † Two-hour session. (a) Market Closed, Columbus Day.

Capital Issues

Week ending
October 23, 1943

Nominal
Capital

Con-
versions

New
Money

Particulars of Government issues appear on page 569.

Year†	U.K.	Brit. Emp. ex. U.K. Countries	Foreign	Deb.	Pref.	Ord.
1943	1,377,672,794	2,668,427	638,677	1,369,698,581	2,127,701	9,153,681
1942	1,225,043,599	349,372	78,315	1,217,977,923	938,562	6,554,700

* Conversions Excluded. † Includes Government issues to October 12, 1943, only. Above figures include all new capital in which permission to deal has been granted.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5227

REGISTERED AS
A NEWSPAPER

OCTOBER 30, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

The House of Commons - 573

Co-Belligerent Italy - - - 574

Hungry Millions - - - 576

NOTES OF THE WEEK - - - 579

The Moscow Conference; The Super-Battle; Post-War Transport; The Army at Home; The Nation's Debt; A Pay-as-You-Earn Point; Slogging up Italy; The Demand for Teachers; Free Shopkeeping; Towns and Cities; Workmen's Compensation; Exchange Control Relaxed; Guider-Belga Alliance; Shorter Notes.

AMERICAN SURVEY

Political Trends in American Labour; Senate Participation; The Rising Tide; The Cost of Living; Taxes: Nobody's Baby.

THE WORLD OVERSEAS

The Midcontinent Looks Ahead; Canadian Metals; Germany at War; Russia at War.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Infant Mortality - - - 577

US Labour Politics - - - 583

Building Societies - - - 589

THE BUSINESS WORLD

BUSINESS NOTES - - - 590

Minimum Prices; "Window Dressed"; FBI on Research; Recommendations; Belgian-Dutch Monetary Agreement; Blocked Sterling Releases; Non-Residents' Investments; The Pit Bonus Scheme; Combined Coal Committee; Fisheries After the War; The Harvest; Great Universal Explanation; Unilever Earnings; US Banks' Reserves; Group Aircraft Production; Biscuits; Odeon Correction; Company Result.

COMPANY MEETINGS - - - 595

RECORDS AND STATISTICS - - - 596

The House of Commons

THE House of Commons has been busy this week with its own origins, its length of life and its place of meeting. On Tuesday, a second reading was given to two Bills, one to provide a continuously up-to-date electoral register, the other to prolong the present Parliament's maximum tenure of life by one more year. These Bills do not raise matters of substantial controversy. True, the first makes a General Election possible while the second makes it unnecessary. But the contradiction is only apparent. As Mr Morrison said "it would not be particularly creditable if we were driven to a general election during the war . . . but this Bill does provide that if the House could not live with the Government or if the Government could not live with the House, there would be nothing in the way of organisation to prevent a General Election taking place."

On Thursday the House debated a Government motion:—

That a Select Committee be appointed to consider and report upon plans for the rebuilding of the House of Commons and upon such minor alterations as may be considered desirable, while preserving all its essential features.

The physical task here envisaged raises almost equally little controversy. Members of Parliament, both past and present, have a great deal of affection for the chamber that was destroyed in 1941, and there is no doubt that it served its purpose most admirably. Its major defect was, in fact, its greatest advantage, since the fact that only about two-thirds of the members of the House could

find a seat in it at any one time was merely a reflection of the fact that it was small enough to permit of informal debate and personal contact, which lie at the root of the British system of government. There were, indeed, certain defects that should be remedied—the ventilation and lighting were not good and the gallery space was most inadequate. But it would be a mistake to build a new chamber, of substantially different proportions and arrangements from the old. Moreover, the rest of the Palace of Westminster is still standing and in use, and the new chamber will have to take its place in the middle of the existing building. This alone would make any large change impossible, even if it were not undesirable on general grounds. It may be interesting to speculate what might have been done if the whole building had been destroyed—some may even regret that the Luftwaffe was not, in this instance, a little more efficient—but such speculations are wholly academic. The practical task is that of rebuilding the Commons Chamber on the same site and in the same shape, and on that practical task there is very little disagreement.

The motion, nevertheless, serves as an inevitable occasion for somewhat wider discussion. In some quarters the very wording of the motion has been taken as an indication of the Government's aversion from all change in any sphere. It is being said, in particular, that their attitude towards the economic structure of the country is the same as towards the physical structure of the House of Commons, that of contemplating "minor alterations . . . while preserving all its essential features." This is a matter

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1868)

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)	Kisumu	Kenya Colony
Amritsar	Colombo	Mombasa	British E.A.
Bombay	Delhi	Nairobi	
Calcutta	Kandy	Nakuru	
Cawnpore	Karachi	Entebbe	
Chittagong	Lahore	Tuticorin	Uganda
	Zanzibar	Kampala	

Dar-es-salaam Mwanza Tanga

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.

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 HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS \$20,000,000

Head Office (temporarily):

9, GRACECHURCH STREET, LONDON, E.C.3.

Chief Manager: A. MOSE.

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, the Commonwealth Savings Bank of Australia, 3,921 Agencies at Post Offices in Australia.

As at 30th June, 1943—	General Bank Balances	£287,573,348
	Savings Bank Balances	224,004,681
	Note Issue Department	149,496,942
	Rural Credits Department	2,464,150
	Other Items	21,990,375
		£682,529,446

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

COMPANY requiring investment in ships Mortgages invited applications from accountants. Write Box 119, THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, W.C.2.

THE FINANCIAL NEWS

though in short supply can still be purchased daily up and down the country. Should any difficulty arise write to the Publisher at 20, Bishopsgate, E.C.2, and he will guarantee to supply the

for after-dinner witticism rather than for serious argument; but it may not be so much out of order in public discussion as it would have been in the Commons' debate to enquire whether it is only in its physical meeting place that the House of Commons requires reconstruction.

Is any substantial change required in the nature, functions, procedure, composition and duties of the House of Commons? Is Great Britain in need of an amendment of its Constitution? The answer is No. Parliament has done its duty well; in the war years it has been, in the Prime Minister's words, a rock of support. It has neither impeded the policies of the executive nor neglected its constitutional duty of reflecting the will of the people. Its functions have been rather those of advice and admonition than of decisions on policy or even of legislation, save in the formal sense. But to say this is not to derogate from the merit with which Parliament has performed its duty; for the functions of Parliament in the present age are, and should be, precisely those of advice and admonition which the present House exemplifies. When this view was last expressed in *The Economist*, Mr Pethick-Lawrence wrote a letter (printed in the issue of September 18th) giving a list of occasions on which the present House of Commons had exercised "direct power" over the course of events. He instanced the demand for national war damage legislation and the changes made in the Bill, the abolition of the household means test, the rejection of fuel rationing, the securing of equal compensation for women in war work, and others. If he were writing today, he could add the extension of "pay-as-you-go" to the list. But Mr Pethick-Lawrence has mistaken the point. It is not that Parliament is without power; but that its functions are exercised through advice and admonition. Every one of Mr Pethick-Lawrence's examples is an instance of Parliament persuading the Government to take a certain decision, not of Parliament taking the decision itself. Even the supreme instance, that of the replacement of Mr Chamberlain by Mr Churchill, falls into that category, for Mr Chamberlain was never defeated in the House and, even in the final debate, got a majority larger than many Prime Ministers have worked on. In every other example in Mr Pethick-Lawrence's list, had the Government dug its toes in and refused to yield, the strong probability is that it would have got its way. In substance, the power of Parliament today is that of warning the Government that unless it does thus and so it will alienate the people. In these days, Parliament does not exercise sovereignty so much as give

a continuous indication to the day-to-day wielders of sovereignty (the Government) of the attitude likely to be taken by the ultimate possessors of sovereignty (the people). This is the proper rôle for a representative assembly in a twentieth-century democracy, and the House of Commons performs it very well.

This is not, of course, to say that all is well with British politics—on the contrary, there is much that is very wrong. But the defects do not arise from anything in the functioning of Parliament, nor could any changes in Parliamentary procedure do very much to correct them. One major defect lies in the meaningless state to which party politics have degenerated. There is not much faith in either of the major parties today—or in any of the minor parties either. If, instead of two viscous confederacies of vested interests, the country had a choice between active parties expressing real and vital differences of policy, there could be a renaissance of political life. But it is the re-forming of parties, not the reform of Parliament, that is needed to achieve that end. Another great defect in present-day politics is the gradual disappearance from the House of Commons of any but the professional politicians. The House is becoming a gathering of agents and representatives instead of a microcosm of the nation. One way of attracting into the House men and women of every walk of life who would go there without thought of a political career, but to serve their community, would be to convince them that they would have interesting and useful work to do. It may be that changes in procedure—in particular, an extension of the committee system—would assist in this aim; but their contribution would be small, and the real solution is again to be found in what happens outside, rather than inside, the House.

When the revival of politics comes, when the British people discovers political instruments appropriate to expound its twentieth-century faiths, new parties will find awaiting their use a constitutional mechanism that will serve them as well as it has served previous centuries. It is difficult to think of another country where the system of government (as distinct from the content of politics) has adapted itself with more smoothness and efficiency to the quite unprecedented demands of the present age than in Great Britain. Reform is required, in greater or less degree, in the social and economic structures of Britain, and a revolution is needed in party politics. But one area where "minor alterations while preserving all the essential features" are all that is needed is in the constitution and functions of Parliament itself.

Co-Belligerent Italy

EVER since the Darlan episode, it has been clear that one of the most important points upon which the Allies must reach agreement is the type of government in occupied and liberated territory with which they are prepared to deal. This is not only a question of avoiding the existence of two or three rival governments, each backed by a different Great Power and competing for the same territory. The type of government determines the nation's attitude towards foreign policy. The more liberal, the more rooted the government is in the popular will, the more it tends to work out its foreign policy in a non-aggressive and co-operative spirit. The aftermath of German control throughout Europe, but particularly in Eastern Europe, is an enormous increase in the number of grievances and frictions between peoples and their neighbours and between each nation and its own minorities. The existence anywhere of a militarist authoritarian government, set on exploiting the grievances of its people, is a certain guarantee that the problem of knitting Europe together into a peaceful community will be frustrated.

It follows that Marshal Badoglio's statement to a *Times* correspondent on the future of the Italian regime and its relations with its neighbours is a matter of some importance. The position of the Marshal, the type of men advising and surrounding him, the status of co-belligerency, have been giving rise to serious misgivings.

British soldiers, arrived at last in Italy, who thought they were fighting Fascism all the way from Alamein, are disconcerted by the prevalence of the Fascist salute and the re-appearance, under the auspices of Amgot, of Fascist officials in the liberated towns. Count Sforza spoke strongly in an interview in Italy of Marshal Badoglio's "evil counsellors." The status of co-belligerency seemed—and seems—to many to have been somewhat easily earned in comparison with the actual aid afforded by the Italian military forces and to have created with the Allies' associates—the French, the Yugoslavs, above all, the Greeks—heartsearchings and suspicions enough to weigh heavily against the military assistance, which would, presumably, have been given in any case.

Marshal Badoglio's statement touches a number of these points. He made it quite clear that he does not intend to carry on a military government into the future.

As soon as hostilities cease, I shall resign as head of the Government to allow that there should be an exclusively political ministry for the purpose of holding elections throughout the country.

Moreover, even in the interim period the Marshal does not intend to continue his present purely military administration. Before he was compelled to leave Rome, he apparently received declarations "of sincere and complete collaboration" from the old parties—the Liberal, the

Christian Social, Socialist and Communist parties and the Party of Action. These groups coalesced in a common front to expel the Germans, and the Marshal repeated the guarantee he gave in his proclamation of October 13th, that as soon as he reached Rome, and the delegates were free to join him, he would complete his Government "with the most authoritative representatives of these parties, none excluded."

All this is obviously satisfactory, although it would be reassuring if more news reached the outside world from the towns and districts already liberated by the Allies. It is peculiar but true that more news of the fight for freedom reaches this country from enemy territory than from Sicily or Southern Italy. What steps are being taken by Amgot and the Italian authorities in such areas as Naples? The first and most urgent job is, naturally, to restore the physical conditions of urban life after the Germans' shocking devastation. But are the authorities doing what they can, even on a local and limited scale, to restore the shape of democratic society? The Marshal mentioned the fact that some of the "authoritative representatives" of whom he spoke are in Naples, and there have been reports of the association of the old parties with the municipal government. It is to be hoped that they are true, for, whether in Italy or elsewhere, the real hope of restoring a liberal and constitutional way of political life lies quite as much in the local communities as at the level of national government. Indeed, it may well be that the reconstitution of local and regional self-government is the only sure and manageable way of restoring a free society. The lack of news on this topic is serious. It is impossible to judge either the good work of Amgot or the good intentions of the Italian Government without concrete evidence from liberated territory.

Marshal Badoglio's intentions in home policy are reassuring as far as they go; but a more doubtful light is thrown by the ineptitude of his remarks on Italy's future foreign policy.

I am convinced that Italian policy towards France, Yugoslavia and Greece after the war will be a policy of cordial and open friendship, and that there will no longer be in Italy anyone who would want to revive any territorial claims against them.

This is baffling. Does the Marshal seriously suppose that a policy of "cordial and open friendship" can be based simply on Italy's renunciation of "Tunis, Corsica and Nice"? Does he mean merely that the Italians will not ask for more than they have managed to secure already? Or does the renunciation mean justice to Albania, to the Greeks in the Dodecanese, and to the Yugoslavs in Slovenia and Dalmatia? It is possible that the Marshal intended his statement to be read in this light; but it would have shown a much clearer grasp of the political realities of the international situation if he had been as explicit as Count Sforza in denouncing the aggressions

of the former Government, promising not merely a cessation of claims but a restitution of stolen goods.

Perhaps the truth is that Marshal Badoglio cannot be wholehearted in his rejection of Italy's former foreign policy because he was personally responsible for the execution of a great part of it. He did not resign when Italy entered the war against France, nor even when the attack on Greece was launched. He resigned not in November, 1940—as he affirmed—but in December, when the Greek war began to go badly. There is nothing in his career to suggest that he was outraged at Fascism's aggressive foreign policy until it failed. It is true that, in his statement, Marshal Badoglio attempted to exonerate the Army, and with it himself, from all responsibility for Mussolini's actions. "None could rebel," he said, "seeing that all the instruments of power were in the hands of the Government." But when in history has the Army not been an instrument of power? If Badoglio, personally, as Chief of Staff, with the vast bulk of the Army and the people behind him, had refused the Duce, is it not obvious now that Fascism would have had to compromise and make concessions? The Army was powerless in 1940, not because "the instruments of power" lay solely with Mussolini, but because it accepted an aggressive and expansive foreign policy as long as it appeared to have a chance of success. Marshal Badoglio's very tepid statement on foreign policy makes sense in this context. He cannot make the right kind of statement now for he has still to realise what the right kind of foreign policy is.

It is surely obvious now that the Allies must exercise a high measure of vigilance and responsibility to ensure that the intentions of this or any future Italian Government fit into the broad framework of Allied policy—if any such framework has yet been conceived. Their responsibility is perhaps even more direct here than in the closely related problem of securing a popular and peace-loving Italian administration. Pressure on the Badoglio regime to broaden its basis is coming from the Italian people, probably even more insistently than from the Allies. Democratic freedom and responsible Government can become the rallying points of popular movements inside Italy. But the issues of foreign policy are far more confused. It is not likely that Italian townspeople will stage demonstrations to "give back the Dodecanese" or to get "justice for the Yugoslavs." The pressure for sound foreign policy must come primarily from the Allies. Unfortunately several factors inhibit them at present. First of all, they have still to establish a proper political liaison with the Badoglio Government. The contacts for the time being are military, and there is no machinery, not even the machinery of ordinary diplomatic relations, to link up the political will of the Allies with the political practice of Badoglio. What is needed now is some sort of political commission, representing Britain, the United States and



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

Russia, to officiate at Badoglio's headquarters and ensure that the right kind of pressure is exercised on the direction of Italy's policy towards the Allies, great and small.

The effectiveness of such a commission presupposes, however, that the Allies themselves know what kind of pressure to exert. So far, quite palpably, they do not. Nowhere is Italian policy more crucial and more equivocal than in the Balkans. Nowhere, too, are Allied intentions more bleared and shapeless. Until the Allies have come to some conclusions about the type of regime to be encouraged in Yugoslavia and Greece, the kind of territorial and minority settlement to be achieved in the Balkans, the general pattern of security to be sought in the Mediterranean as a whole, it is useless to hope that the co-belligerent Italians will give an open and satisfactory reply to the anxious queries in the minds of the Greeks, the Yugoslavs and the French. The Moscow Conference is presumably taking cognisance of the Balkan muddle and working out a joint policy for the fusion of the guerilla

movements and the organisation of post-war Balkan co-operation. But if these topics are not to be discussed either at this Moscow meeting or at the subsequent meeting of the Heads of State, then it is quite certain that something like a head-on collision awaits the Powers, between the Badoglio conception of what co-belligerency entails and deserves and the reactions and policies of the other Mediterranean Governments and peoples.

The Badoglio statement is not an unhelpful document. Provided the guarantee of widening the Government and including the parties is carried out, Italy will have an administration capable of working out peaceful relations with its neighbours. But however popular the Italian administration, it stands to reason that the broad lines of policy, and even the initiative, cannot come from enemy Rome. The hopes of a decent Mediterranean settlement depend primarily upon London, Moscow and Washington. If the issue is shirked there, it will not be retrieved anywhere else.

Hungry Millions

LORD WOOLTON gave good news and a warning at Dumfries on Sunday. Food exports to Britain are only half what they were in April, 1940, but the people have all they need and their health is good. But, the Minister went on, "We are running into a world shortage." Military calls on shipping are multiplied; and the structure of world agriculture has been distorted by enforced wartime policies and weakened by lack of transport, labour and equipment.

In India, food shortage, always present, has become famine with disease in its train. Only the Punjab and Sind are wholly free; in Bengal, Cochin, Travancore and the Deccan, hundreds of thousands are starving. In a book three years ago, Mr Colin Clark very roughly divided world population into world output, and reached the obvious conclusion, in reply to talk about the Age of Plenty, that "the world is found to be a terribly poor place." Few places were poorer than India, even in peacetime, and Indian poverty, during the war, has become tragic destitution. On the one hand, there is dearth of food, not only grains but meat, eggs, milk and vegetables, scarce and extravagantly costly; on the other, there is grave shortage of all domestic necessities and even of the most primitive farm equipment. Supplies are short, and prices beyond the reach of the great majority of the people.

There is no prompt cure for India's present ills. The only sure solution of Indian poverty, as of the poverty of all the teeming backward areas of the earth, is increased productivity, more output per person to consume or to exchange for consumers' goods. This was the basic principle of the proposals of the Hot Springs Food Conference; a double programme to raise consumption and living standards by raising productivity and freeing world exchange. In a single year before the war over 800,000 people died in Bengal from cholera, malaria, tuberculosis and enteric; disease and death were encouraged by malnutrition and very low living conditions. The industrial transformation that is taking place in some Indian cities, under the stimulus of war requirements, as cotton manufacture grew during the American Civil War and between 1914 and 1918, has given, and offers, no solution in itself to Indian poverty. Nine-tenths of India's population live in 700,000 villages; more than six out of every ten workers are agricultural. A long-term solution can only be found by raising industrial and agricultural productivity side by side, making it possible for rural workers to buy more and more of the products of town or village manufacture. At the best of times, the "surpluses" with which Indian peasants pay their rent and debts and buy town-made necessities are pitifully small, and only exist because the peasants and their families are themselves underfed. India is a land of very small margins indeed; and the war, by wiping out the margins from which the cities and landless labourers were fed, has transformed grievous poverty into the gravest distress.

Agrarian revolution cannot be accomplished in a year or a decade. No short-term remedy which ignores long-term needs will be realistic; but the immediate requirement is to increase supplies of food—and other necessities—and make them available to the poor. This was the view of the Gregory Committee on Foodgrains Policy which reported a month ago. Mr Amery has said that efficient distribution is the key; but first there must be supplies to distribute. The Committee's most urgent recommendations were the cessation of all food exports, even to Indians serving abroad in the hungry Middle East; the importation of one-and-a-half million tons of food in the first year, and a million tons annually thereafter; the importation of plant to manufacture 350,000 tons of ammonium sulphate yearly; the importation of tractors, fuel and oil; and the promptest possible increase in the supply of necessary consumers' goods to induce cultivators to sell in order to buy—though, as in the past, these "surpluses" can still only be tempted out at the cost of much peasant privation. Moreover, efficient distribution of food supplies is only possible if the authorities can take control; and the Committee suggested, with 500,000 tons of the first year's food imports held as a Central Reserve, it would be possible to open traders' hoards by the threat of falling prices.

Prices have been pushed up by many causes: by Government purchases for military requirements without effective price control; by the pressure of the higher incomes of war workers; in short, by the old familiar wartime situation of increased purchasing power and decreased supplies of all goods except munitions. Consumption has increased; underfed cultivators, unable to buy manufactured goods, have kept slightly more food for their families to eat; war workers have, if possible, increased their diet. Hoarding, too, has grown. To call cultivators hoarders who hold back for their own consumption what they formerly spared for sale may be an abuse of language; but the effect of this withholding has undoubtedly been to cut down available supplies out of all proportion to the decline in total food stocks. And food has been held up on its passage from field to market; by traders in wait for larger profits, and by provincial administrations seeking, naturally, to protect their own people against possible famine. The climate of opinion, too, has been adverse. Fear of invasion and fighting has caused people to lay hands on all food possible and to hold it; the worst areas of famine are those nearest to the theatre of war. The means of transport, by land and water, by which the smallest surpluses are moved in normal times to deficit areas, have been much depleted to meet military requirements.

This is the situation with which the authorities have hitherto failed to cope. The official British explanation, stated by Mr Amery and others, is a nice blend of statistical and political special pleading. It is based upon three

propositions: that imports have never played more than a small part in Indian food supplies; that the Government of India could not, democratically, use its special war powers to override Provincial Governments, even to feed the people; and that "the problem, so far as we are concerned, is essentially and entirely one of shipping." All three are plausible, but misleading. To relate food imports to total supplies shows misunderstanding: as the Gregory Committee pointed out, certain areas, Bombay and the Malabar coast, have depended disproportionately on imported supplies; and over all India the internal surpluses available for trade are each so minute and so precarious that imports, by their effect on psychology—and thus on prices—and by their availability to stop up holes, are a crucial element in the unstable structure of Indian food economy; their importance bears scarcely any relation to their relatively small size. Mr Amery's political disclaimer, intended to place the blame upon Indian mismanagement and discord, is not less disingenuous. A Government that can imprison and punish as this one has done, necessarily, to preserve order cannot in honesty refuse firm action to prevent famine. Nor is the shipping argument, in general sound, more convincing in detail. Mr Amery claims that "substantial" quantities of shipping were allotted to take food to India early this year; but nothing that is known, by the Gregory Committee or anyone else, about actual imports, bears this out; and there is no evidence that demands for tonnage, commensurate with the famine that was already spreading a year ago, have ever been made to the Allied shipping authorities in London or Washington.

The fatal flaw in the official attitude has been twofold: first, the belief that the worst could be prevented by the same ingeniously planned distribution which in peacetime just held famine back, in most years, by irrigation and railway building; and, secondly, the confidence that, if this could not be done, the fault would now belong to the Provincial Governments, and not to Britain or the Viceroy. The official view seems to have been, cynically, "You made your own bed (when you secured the Constitution of 1935). You must lie on it." If there were unmistakable signs that this attitude had changed, it might be scarcely worth repeating past history. But Mr Amery's speeches inspire small confidence; and many friends of India in London are desperately troubled at the lack of boldness and imagination that still seems to persist. Large offers to supply patent and concentrated foods, requiring only small shipping space, have, it is reported, been rebuffed because of finance. Constant harping on Indian hoarding, the black markets and Indian maladministration,

all admittedly factors in the crisis, gives no promise of a stronger, more effective and more responsible policy. Steps have, it is true, been taken: imports have begun; exports have been suspended; and rationing in the large cities, proposed by the Gregory Committee, has started in Calcutta. More than a million Indians are being fed by relief; and Regional Food Commissioners, working with the Food Department set up a year ago, are trying hard to get supplies moving to market and from province to province. The right gestures are being made, as indeed they have been made, piecemeal, for many months; but, on the question of enforcement, stressed above all by the Gregory Committee, the Governments, both in Britain and India, remain horrified at the notion of imposing a "basic food policy" from the Centre upon the Provinces.

Only a fool or a knave would deny the immense difficulty of feeding India's 400 million people. The logical solutions for food shortage, common in countries with ample diets and developed institutions—rationing, requisitioning, priorities, price control and the rest—are only very partially workable in India. Moreover, the story of India and every analysis of India's food position must be that there is not enough food available, and not enough purchasing power in the hands of the poor, to prevent tragically many deaths from starvation and disease, in good or bad times. The quickest growth in population ever recorded swallows up every increase in supplies, and forces people back to subsistence and below. The villager, chronically in debt, accepts scarcely more than subsistence when crops prosper in return for little less than subsistence when they fail. There is a vicious circle: the Indian people will not be appreciably better off until the checks to population that have emerged in other countries begin to operate in India, while, by historical analogy, these checks will not begin to operate there until the Indians are better off.

The only real cure is an economic revolution, in country and town, as wide-ranging and drastic as the modernisation of Russian agriculture by co-operative means and with state capital. But, even if the British, in the last period of their expiring lease in India, can do little more than scratch the surface, they can at least begin the process of reconstruction—and they must all the more give every proof that they are doing all that is possible, both for now and for the future. In both this country and the United States even the austere principles of war economy give the bare necessities of civilian life at least as high a priority as munitions themselves. In India the belt has been tightened when there was less than no slack to take in.

Infant Mortality

A FEW weeks ago, the Registrar-General's return of vital statistics for England and Wales showed that a new low record in the infant mortality rate had been set up for the second quarter of the year. The rate was 46 per thousand live births, compared with an average of 55 in the ten preceding second quarters. Nor is this improvement a flash in the pan. The rate for the whole of 1942 was 49 per thousand—the first time the annual rate has fallen below 50—and compared with 59 in 1941 and 56 in 1940. Ten years previously, the rate was over 60.

A fall in the rate after three years of war is a considerable achievement. But before it gives cause for complacency it should be recalled that in the United States it had fallen below 50 before the war, in New Zealand it was round about 40, and had been as low as 35, in Sweden it was falling steadily and had reached 39, and in Holland it was regularly below 40.

There are other reasons for disquiet. A short time before the Registrar-General's return was issued, a book was published* giving the results of R. M. Titmuss's

investigations into infant mortality statistics over a period of twenty years. He has been concerned to analyse the annual rate, which is the average for the whole of England and Wales, by splitting it up into the rates for the different social classes graded according to the censuses of 1911, 1921 and 1931. His first analysis is shown in the following table reproduced from the book. (Class I comprises the upper and middle classes; Class II is intermediate, comprising elements of I and III; Class III is the skilled labour; Class IV is intermediate, comprising elements of III, V and agricultural labourers; Class V is the unskilled):—

	Death Rate per 1,000 Legitimate Live Births			Per Cent of Rate for All Classes		
	1911*	1921-3	1930-2	1911	1921-3	1930-2
All Classes	125	79	62	100	100	100
Class I	76	38	33	61	48	53
Class II	106	55	45	85	70	73
Class III	113	77	58	90	97	94
Class IV	122	89	67	98	113	108
Class V	153	97	77	122	123	125

* "Birth, Poverty and Wealth." By R. M. Titmuss. Hamish Hamilton. 118 pages. 7s. 6d. net.

* In 1911, agricultural workers, miners and textile workers were classified separately and are omitted from the data for that year.

Thus, although the rate declined, in the period covered, for all classes, it fell more for the first two classes than for Classes IV and V, and the excess of Class V over the average grew.

Having established his main thesis—that inequality in infant mortality among the different classes of society has widened since 1911—Mr. Titmuss proceeds to analyse the inequality more closely. He begins by splitting up the rates among the different age groups comprised in the first year of life. He finds that in the death rate under one month—the neo-natal rate—the position between the different classes has hardly changed over the twenty years; in fact, one method of analysis showed that the excess of neo-natal mortality in Class V over Class I fell from 58 per cent to 50 per cent between 1921-23 and 1930-32. But in the next eleven months of life, a very different result was found. Between 1911 and 1930-32, the mortality rate of infants of one to three months in Class I fell by 71 per cent, whereas that for Class V fell by only 54 per cent. This means that the worst rate exceeded the best rate by 92 per cent in 1911, 263 per cent in 1921-23 and 205 per cent ten years later. In the next age group—3-6 months—the widening of inequality is even more pronounced; the worst exceeded the best by 142 per cent in 1911, 312 per cent in 1921-23 and 287 per cent in 1930-32. In the last six months of the first year of life, the inequality is greatest of all. In this age group, the worst rate exceeded the best by 173 per cent in 1911, 324 per cent in 1921-23, and by 439 per cent in 1930-32. Thus, at this stage of the life of an infant born into Class V, there is not even the small improvement shown, at earlier stages, in 1930-32 compared with 1921-23.

From this analysis of infant mortality by classes and age groups, Mr. Titmuss draws the following conclusion. He points out that 80 per cent of total deaths during the first month of life were caused by premature births, congenital malformations, birth injuries, convulsions and congenital debility. In other words, the neo-natal death rate, which, as has been stated, shows if anything a diminishing inequality between the worst and the best, is hardly influenced by environmental factors, whereas environmental diseases, including measles, whooping cough, diarrhoea and enteritis, tuberculosis, bronchitis and pneumonia, and other infections, accounted for 64 per cent of all deaths in the ages of 1-12 months. Moreover, if deaths from these groups of diseases are analysed by social classes, Mr. Titmuss finds that the excess of Class V over Class I was only 61 per cent in the neo-natal or non-environmental diseases in 1930-32, but was as much as 453 per cent in the environmental group. His conclusion is, therefore, that in their physical make up children are born, if not equal, at least not vastly different, whereas they grow up in a world where a wide gulf separates one class from another in matters of housing, nutrition, clothing, education and medical care. In other words, he claims that Francis Galton's dictum, that "nature prevails enormously over nurture," has been completely disproved.

Mr Titmuss's battery of statistics is so imposing, and his methods of checking one analysis by another so industrious, that one hesitates to dispute his conclusions. Moreover, it hardly needed all these tables to show that the children born to the upper and middle classes have a better chance of survival than those born to the poor, nor even that the former are better fitted and better able to take advantage of the tremendous advance in medical knowledge, particularly as it affects the newly born, in the period covered by the analysis. But one cannot help

feeling that the main purpose of the book was not so much to draw conclusions from comparative statistics of infant mortality as to give statistical support to conclusions that Mr Titmuss formed many years ago—that England is divided into the privileged and the under-privileged by the unequal distribution of wealth, and that a new social order is needed to end the inequalities.

If his implied thesis—that inequalities of wealth in this country have increased, are increasing and are likely to be increased further—is taken first, it is only necessary to refer him to the recent Budget White Papers which tell a very different story. Mr Titmuss hardly gives enough weight to the fact that his third comparative year, 1930-32, was the lowest point of the economic depression, and that whatever may have been true of disparities in wealth then has been completely falsified by the redistribution of wealth during the war. Moreover, among all his array of statistics, he gives no indication of the comparative sizes of the different classes in proportion to the population at the beginning and end of his period. It would be an advantage to know whether there has been any progression from Classes IV and V to the higher income classes before his presumed conclusion can be accepted.

But even on the narrower ground of comparative infant mortality there are some notable gaps in his analysis. For instance, he does not discuss the influence on his Class V statistics of the "problem families" with their high birth rate and high death rate. Yet these families, which form a peculiar problem of their own that has nothing to do with the redistribution of wealth, are all included in Class V. It is true that they existed in 1911 as well, but it is very possible that they formed a smaller proportion of the total unskilled class then than they do now, both because of the smaller birth-rate among the other unskilled since 1911, and because many of the latter may have progressed from Class V to higher classes in the twenty years.

The weight which these problem families give to the Class V statistics may be illustrated by the following case histories taken from the Burns report on infant and maternal mortality in Durham. One mother of 35 had had ten pregnancies; four children had survived, but six premature children, who were born within four years, had died in a few days. Another mother of 34, notified as a mental defective, had had eight children, of whom five had died and one was stillborn. One mother of 44 had had twenty pregnancies, and eleven children alive. In a less extreme case, a mother of not quite 20, the wife of a hysteric, was imminently expecting the birth of a second child when visited, though the first was less than a year old. She herself was dull and lethargic, and had hardly managed to cope with the care of one baby.

The point about these problem families, whose histories could be multiplied all over the country, is that, though they are poor, they are not a problem of poverty and unemployment. They are rather families likely to be permanent pensioners of the state and as such should be treated as a class of their own. Yet Mr Titmuss not only ignores their influence on his statistics; he hardly goes into the question of the rate of breeding among his Class V families, though this, which is again not so much a problem of poverty as of social custom and ignorance, has a considerable effect on infant mortality, both on biological grounds and because of the falling off in maternal efficiency when babies follow each other in rapid succession.

Yet, with all its prejudices and omissions, Mr Titmuss's book will serve a valuable purpose, because at least it shows that in the saving of infant life this country has still a long way to go. In the endless debate of nature versus nurture, or heredity versus environment, he may perhaps come down too heavily on the side of nurture and environment and dismiss the influence of nature—which it would be preferable to call predisposition—too categorically. But at least he is right in his statement that environment is within man's power to control, and that not until every child born in this country has a right to grow up in a decent environment can we rest on the fatalistic assumption that it is heredity which is at fault.

NOTES OF THE WEEK

The Moscow Conference

By all reports, the Moscow Conference has opened well, and is "going smoothly," to quote Mr. Stettinius. It is, of course, impossible to say whether the really difficult problems, such as the Polish frontiers or the partisan troubles in resisting Europe or the future treatment of Germany, have come under consideration so far, but at least the Allied statesmen realise the urgency of securing agreements, and know that deadlock now will have in it the seeds of another war. That the preservation of peace depends upon the ability and determination of the Great Powers to hold together was emphasised in a recent number of *War and the Working Classes*. It recalled the events of the inter-war years, and concluded that the failure of the Great Powers to hold together, and to back peace with their combined strength, was the real cause of the war of 1939. It went on to underline the point so often stressed in Britain and America in recent months that

The union of these Powers which lead the anti-Hitlerite coalition is naturally called upon to become the nucleus around which all peoples of the world who desire reliable peace and security will rally.

This is true; but it is on the outcome of the detailed agreements reached at Moscow that the effectiveness of the nucleus will depend. The Three Powers together present so formidable an agglomeration of power that unless the other nations are convinced by practical proof that the power will be used justly and constructively, they will not accept the Great Powers' leadership. It is admirable that the general sentiments of all participants should be so unexceptionable. But they are at Moscow precisely to turn general principles into hard and convincing fact.

* * *

The Super-Battle

The Russian offensive in the south is still in full swing, and nothing seems to suggest any weakening of its impetus in the next few weeks. The credit for this truly gigantic and sustained effort goes to the Russian supply services. It is the supply services that undo the effects of the devastation left behind by the retreating enemy, and the methods that have enabled the Russians to maintain this continuity of supply deserve the closest study by Allied quartermasters. The operational and tactical pattern is less novel—it is almost classical—but not less brilliant. While the German Command still seemed to have the illusory hope of holding the Zaporozhe-Melitopol line, it found its flanks turned by the broad wedge which suddenly sprang southward from Kremenichug, threatening the Germans with an immense disaster. The pace of the Russian thrust from Kremenichug toward Nikolaev was so great that for some days the encirclement of the at least 60 German divisions still inside the great arc from Kherson and Nikolaev to Dniepropetrovsk and Melitopol—to say nothing of the forces left behind in the Crimea—seemed to be a very real and imminent danger. Theoretically, two replies might have been given to that danger. The first would have been a counter-stroke to flatten out the Kremenichug wedge; this was beyond the power of the German Command. Such a counter-offensive could have been built up only by drawing on the forces which are defending Kiev, and the weakening of the Kiev front at this stage would have created even graver risks for the Germans later on. The alternative reply has been an attempt to extricate the threatened forces, an attempt which has so far been made with only very limited success.

*

Two delaying battles—at Melitopol and at Krivoi Rog—seem to have been of vital importance. The battle of Melitopol lasted nearly a fortnight, and it enabled the Germans to withdraw part of their garrisons in the Crimea—Melitopol itself was defended by some of the units evacuated from the peninsula. What proportion of the German forces is still left in the Crimea is still unknown; now that Melitopol has fallen, the evacuation can be completed only through the awkward bottleneck of Perekop, the place where Wrangel's army was "driven into the sea" in the Civil

War. With the Russian advance across the Nogaish steppe—an advance which is certain to be very swift—the Perekop outlet, too, will be sealed soon. The other delaying battle at Krivoi Rog—inside the Dnieper bend—is still in the balance at the time of writing. While the battle lasts, the roads of retreat from the Dniepropetrovsk salient are still open. Even so, the retreat must have become to some extent disorderly. For the first time the Russians speak of villages left intact by the enemy, because of the haste of his withdrawal. The next spot vital for the fleeing armies is the famous centre of manganese ore mines—Nikopol—through which runs the railway to Nikolaev; and this is now threatened from both Melitopol and Krivoi Rog. While it is still too early to strike the final balance of the "super-battle," it is already clear that the enemy has suffered tremendous losses in equipment; and that his losses in manpower are likely drastically to change the relation of forces on the whole Ukrainian front. And there can be little doubt that the battle for Kiev is also approaching its final phase.

* * *

Post-War Transport

The air has been full of rumours about grand designs for the compulsory reorganisation of the railways after the war, by nationalisation or further amalgamation. It is not likely, for both technical and political reasons, that they are true. The railways are only one branch of inland transport and, in any scheme for post-war reorganisation, the various branches must be regarded as so much, often interchangeable, carrying capacity. This point was made by Lord Leathers in the House of Lords on Wednesday, when Lord Listowel asked whether plans were being prepared by the Government "for the post-war development and co-ordination" of the inland transport system. Lord Leathers admitted that the details of the post-war scheme had not yet been worked out; they would have to be fitted in with the Government's wider plans for reconstruction, which are not yet ready. True, it may be premature to elaborate all the details of transport reorganisation after the war; but the time has surely come to lay down the principles on which reorganisation should be based. Even on principles the Government does not seem to have made up its mind. All that Lord Leathers did was to set out the aims of policy. But even within those narrow limits this week's debate was useful; Lord Leathers was able to demonstrate the futility of the sectional approach. Merely to nationalise the railways, to substitute public for private managers, would solve nothing. Similarly, any further amalgamation of the four railway companies would not solve the railway problem, and even less the national transport problem. The aim in any scheme of reorganisation should be to provide efficient and cheap trans-

WORLD OVERSEAS

Features in this week's articles on overseas developments include:

November in Germany ... page 587
The Soviet Commonwealth of Nations ... 588



port for transport users. And its solution should be sought, not on the basis of political slogans, but on the basis of technical and economic facts. Any form of public control, to be of use, will have to be founded on these practical considerations.

* * *

The Army at Home

Not so long ago, Sir Walter Womersley, Minister of Pensions, was the object of violent Parliamentary criticism. Now, this place has been taken by Sir James Grigg, Secretary of State for War, who was violently attacked last week by Mr Quintin Hogg for unsympathetic treatment of the widow of a serving specialist drowned at sea. These two Ministers have more in common than this exposure to criticism; they are, admittedly, efficient and conscientious Ministers. Why, then, the criticism? It arises, not from their personal failings, which are few as Ministers go, but from, first, a sentiment and, secondly, a fact. The feeling that men who have fought for their country deserve fair treatment is, fortunately, very deepset; there is all the weight of thousands of families, deprived of the health or life of their men; behind the pressure for decisions on pensions and in Army organisation in favour of those who have gone out to fight; and there is the memory that, last time, neither the wounded nor the dead received their right reward. The fact behind this pressure is the knowledge that, though the Army overseas, tried and tempered in the fires of battle, has become a notable instrument of efficient warfare and soldierly comradeship, the Army at home remains, in some respects, as hidebound, as unsympathetic and as favourite-ridden as ever. The old complaints, from the last war, of promotion and favour by luck, personal manoeuvre and arbitrary accident, rather than by merit, remain as strong as ever in this war, away from the battle-fronts, in both the men's and women's services. Men have much greater chances of advancement at home than abroad, provided they know the right people. Soldiers in high positions at home err publicly, and survive with rank and pay, provided they are "good chaps." This is the staple of the criticism against the Secretary of War, just as the feeling that men who have bled or died deserve more than mere justice has vastly exaggerated the misdeeds of the Minister of Pensions. These are powerful political forces. Wrongly handled, they will do more than anything else to wreck the popularity of the Government, and to open the way for incalculable political movements, in perilous shapes and forms, to right soldiers' wrongs.

* * *

The Nation's Debt

At the close of any war, a democratic government stands poised between two evil courses. One is, by narrow and legalistic definitions, to undo in its deeds the praises easily bestowed upon fighting men in a thousand speeches and war memorials. The other is to play for votes and favours by creating a new privileged class, the men who fought as against those who did not, and to break national unity and weaken justice by dividing the people, at the nation's expense, into two rival and warring groups. After the last war, one at least of these dangers was avoided; no political or fascist movement grew from the organisation of ex-Service men. Field Marshal Haig and the British Legion preserved Britain from the political excesses attached in Germany and France—and the United States—to combatant bodies. But against these political successes was set a serious failure. Not even the simplest justice was done in the event either to ex-soldiers or to ex-war workers. Unemployment and distress were the proof of failure; ex-officers and other ranks begging in the streets were only the most obvious sign. Those who have fought and worked—and died—during the war ask for no privilege or charity, but for a society in which there will be peace abroad and, at home, work to do and a decent life for them and their families to live. This more than anything else is the reason why it is wholly fantastic for any man, from the Prime Minister downwards, to say that decisions on post-war policy would be premature. The men who have come back maimed and disabled this week from enemy prison camps ask above all, not for philanthropy, but for a chance, rehabilitation and self-respect. The many more, some of whom will come back and some not, ask, too, for self-respect and the chance of independence—for collective security, full employment and social assurance. These are

the challenges, in home and foreign policy alike, that no Government can ignore without risking the whole of the democratic future, and inviting the worst passions and the worst misrule.

* * *

A Pay-as-You-Earn Point

Rumour (which may or may not be reliable) has it that the Chancellor of the Exchequer will yield to the evident wish of the House of Commons and extend the "pay-as-you-earn" scheme to all incomes taxed under Schedule E, whatever their size. If this is correct, it will be a popular and a wise decision. But there are many pitfalls for those who unwarily tamper with the complex structure of the income tax. One relates to the position of temporary civil servants. Income tax on civil service salaries is already assessed and collected "as-you-go." A man entering the Civil Service, say, in April, 1943, would start paying income tax at once on his income for 1943-44. But he would still have seven months of collection of tax on his income of 1941-42 to endure, and for this period—which in many cases coincides with a reduction of income—he would have double payments to make. This is not a matter of double assessment (though such cases can and do arise), but of the overlapping of periods of collection. Many thousands of temporary civil servants have had to endure this imposition. The Inland Revenue should, of course, have relaxed its practices to prevent the case arising; but it is of a piece with the whole treatment of the temporary civil servant by the Treasury and the Inland Revenue that no effort was made to do so. The sufferer was encouraged only by the reflection that his period of double collection during the war would be offset by a period of no collection at all when he left the service after the war, and it is precisely this that will now be taken away by the "Pay-As-You-Earn" scheme, if it is extended to cover all salaried workers. This would be a monstrous injustice to a class which has deserved far more of the state than it has ever received. It could be avoided by a provision in the Bill allowing any individual taxpayer in certain defined categories to contract out of "pay-as-you-earn" and to be assessed, for a number of years, as he would have been under existing legislation. This would, no doubt, make for administrative complications, but they would not be very severe, and in any case it is better to have complications than injustice.

* * *

Slogging up Italy

The campaign in Italy has yielded only relatively slight returns since the capture of Naples by the Allies. The lack of greater tactical success may spring either from tactical mistakes or from a strategic misconception or from both. General Alexander, in a recent interview with the press, pointed to the purely tactical aspect. He revealed a major fault in reconnaissance or intelligence during the first and most critical stage of the campaign. At Salerno it was apparently not the Allied attack but the German defence that enjoyed the advantages of surprise. The Allied Command did not expect the enemy at Salerno.

When the landing was planned the area was free of German troops. Had it remained free the Fifth Army could have driven across Italy and cut off the German divisions in the south as well as driven north to Rome.

Two questions are raised by this statement. There is, first, the obvious gap in information between the planning and the execution of the landing. Secondly, there is the fact that Salerno—as the Prime Minister pointed out to Parliament at the time—was the northernmost limit for the use of Allied shore-based aircraft. As such it was *a priori* the most likely invasion point; and common sense probably told Kesselring to watch Salerno. Nevertheless, a third of Italy has been occupied at the cost of some fifteen thousand casualties against the twenty thousand suffered in Sicily. General Alexander went on "All roads lead to Rome, but all the roads are mined." The roads are mined by the enemy as he withdraws, and the only really effective weapon against this would be so high a rate of advance by the Allies that the enemy would have no time to do his mining. "Slogging up Italy is a slow job"; and the only alternative to slogging is racing. There the tactical difficulty leads back to a major strategic issue. Would not a precipitate advance to the north expose the Allied armies to the risk of a powerful German counter-stroke? This, in its turn, depends on the size of Rommel's forces. General Alexander spoke of about thirty-five to forty German divi-

sions diverted from the Russian front to Italy and the Balkans. It is not clear, however, how many of those divisions are in Italy itself available for a counter-stroke; and to this extent the risk of racing northwards is also an unknown quantity. The awkward dilemma between choosing the slow but steady way or the risks of a swifter advance was from the beginning inherent in the choice of Italy as the main theatre of operations at this stage of the war. The narrow peninsula does not afford much elbow room for the quick and wide outflanking moves that have been the feature of modern lightning warfare. Thus the tactical difficulties discussed by General Alexander point back to the crucial strategic issue—what is to be the direction of the main Allied thrust against the German fortress?

* * *

The Demand for Teachers

It has been officially stated that 70,000 additional teachers will be needed to carry out the plan for educational reconstruction proposed in the Government's recent White Paper. This is a formidable figure, which amounts to about one-third of the existing number of teachers, but it may well prove to be an underestimate. The British Association's Committee on Post-war University Education has issued a memorandum which estimates the probable shortage as over 120,000, if provision is made for the teachers needed in universities, young people's colleges and polytechnic schools, and in adult people's colleges—in other words, those needed to cover the needs of the population between the ages of 2 and 22. Moreover, by far the greater part of the 324,000 teachers which the Committee reckons will be needed will be teachers in primary and secondary schools, young people's colleges and universities; that is, they will require a university degree course, together with a two-year training course afterwards. Thus, the Committee estimates that to maintain the supply of teachers, and allow for wastage, some 9,000 men and women must enter the profession every year, which means that the number of would-be teachers undergoing a four-year course in the universities—the second training year would be spent outside the university—would be 36,000 at any given time. Against this, the total number of undergraduates in the universities, university colleges and medical schools in England and Wales in 1938-39 was only 30,000. Even if vacancies in the universities can be expanded to cover 54,000 undergraduates—the number envisaged in the Committee's estimate of the teachers needed—there will still not be room for 36,000 potential teachers, unless vacancies for training for the other professions are reduced almost to nothing. Whether the Committee has proposed the right solution for this problem—that half of the future teachers should be intramural students of their university, while the other half would work for the degrees and diplomas of the university of their neighbourhood in local colleges and training colleges—cannot be discussed here. What is of prime importance is, first, that a vast number of new teachers will be wanted; secondly, that it is undesirable that there should be any relaxation of standards in preparing them for their profession; but that, thirdly, it is equally undesirable that the universities should be flooded with student teachers, both from the point of view of the future teachers themselves, and of the would-be entrants into other professions. Nor is it desirable that the present system of committing students to teaching as a condition of receiving a Government grant should be retained. How does the Board of Education propose to solve this problem?

* * *

Free Shopkeeping

It is pointed out by the National Chamber of Trade that the recent vote of their members in favour of the continued licensing of shops after the war (discussed in *The Economist* of last week on page 550) did not mean that retailers desire the permanent restriction of entry into shopkeeping. The vote was for a transitional arrangement during the return to peacetime conditions. This should, of course, be made plain and well noted. If it implies that the trade associations as well as individual retailers now favour real freedom of retail trade, it is good news for shoppers, and, in effect, a grand renunciation of the many restrictive practices—the fixing of margins and the war against price-cutters and competition by stop-lists, black-lists and boycotts—which before the war, without licensing, restrained

retailing. It would be still better news to hear this said in so many words. Unfortunately, until it is said, there may be doubts; and, cynically perhaps, many people will wonder whether the temporary aid of licensing is not bound to take on the permanent character of, say, the temporary aid of tariffs.

* * *

Towns and Cities

Mr F. J. Osborn, of the Town and Country Planning Association, gained possibly unwanted publicity in the press last week-end when he was sternly rebuked for being rude to London. The occasion of his misdemeanour was a conference on the place of country towns in national planning policy. His point was that many spokesmen for London are so narrowly "provincial" that they would rather keep the muddled millions of the present metropolitan sprawl, muddle and all, than accept the policy of deliberate decentralisation recommended by, among other bodies, the Barlow Commission. The purpose of decentralisation and of the control of industrial location—also a Barlow proposal and already accepted, in the most general terms, by the Government—is to make life worth living and work worth doing, both in London and in the rest of the country. The theme of last week's conference was the use of established country towns as "reception areas" for people and industries, moderately sized "neighbourhood units," capable of civilised amenities and nicely balanced between the activities of town and country. It is no longer believed by the Town and Country Planning Association, which began with the example and experience of Letchworth and Welwyn garden cities, that the only way of loosening and dispersing over-dense towns is to create new ones; they lean rather towards building the better Britain upon organic communities already in existence. The press outburst last week against Mr Osborn's "treachery" to his native London was not irrelevant, though his real point was perhaps missed. Many people feel that his insistence on a degree of decentralisation sufficient to accommodate practically every family in a house and garden, not a flat, would mean not simply the dispersal but the break-up of the traditions and economic life of the cities. Obviously, the solution must be a balance between these two views. If Mr Osborn makes Londoners again conscious of civic pride and responsibilities, good will be gained. If he allows his campaign against flats to be merged into a campaign against the London County Plan he will have done both London and the cause of planning, which he has deeply at heart, a grave disservice. Meanwhile, there is urgent need for specific Government decisions on these planning issues and for clear judgments on the relations between decentralisation with controlled industrial location and the policy of full employment with maximum output.

* * *

Workmen's Compensation

The comparative calm with which the Workmen's Compensation (Temporary Increases) Bill passed its second reading on Thursday of last week was followed by a storm in the Committee stage on Wednesday. The second reading had shown that most members only accepted it with bad grace, but the violence of the opposition shown this week was unexpected. A Labour Member moved an amendment to provide that a supplementary allowance in the case of a week falling within the first 13 weeks of disablement should be 10s. instead of 5s. The Government refused to accept the amendment, but after Members of all parties had pressed for

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.

it Mr Morrison moved to report progress. This was negatived, but when the amendment was carried to a division, it was defeated by 153 votes to 42—probably many Members who spoke in favour of it refrained from voting against the Government after Mr Aneurin Bevan's violent denunciation. In the event, progress was reported, but the debate was a warning to the Government that this sort of storm is likely to occur every time it produces a measure which merely tinkers with social service payments. A year ago, its excuse for delay was that it was waiting for the appearance of the Beveridge Report. Now its excuse is that it is making up its mind about the Beveridge proposals. This attitude cannot go on indefinitely.

* * *

Exchange Control Relaxed

This week marks the turning of the tide in exchange control. Amendments to the regulations which came into force at the beginning of the week permit some relaxation in the restrictions on the use of sterling assets held by non-residents. A considerable number of payments which formerly had to be made to blocked accounts are now to be transferable into foreign currencies. Balances held here for Continental refugees who, after passing through this country, have taken up their residence abroad, are to be freed. Non-residents who hold sterling securities are being given greater freedom than they have enjoyed hitherto in the choice of securities into which they may exchange their existing investments. The details will be found in a Business Note on page 591. These concessions do not make much of a dent in the apparatus of exchange control. Moreover, they do not apply to any remittances to Canada, Newfoundland, Argentina or Switzerland, which are still subject to the tightest restriction. Nevertheless, they are significant for several reasons. The first is the indication they give that the authorities are far from wedded to exchange control for its own sake. On the contrary, they regard it as a *pis aller*, applied regretfully under the compulsion of hard necessity, but relaxed at the first opportunity. The blocking of certain types of sterling had inevitably led to many contrivances by the owners of that sterling to circumvent the regulations

and get their money out of this country. A large variety of compensation deals had been devised, each involving some form of black market in sterling, and each, therefore, reacting adversely on the prestige of the currency and on world confidence in it. The elimination of a considerable part of blocked sterling held for private account is therefore a notable step in the reinstatement of sterling as a world currency. The second implication of these relaxations is their suggestion that Great Britain now commands a somewhat ampler exchange reserve than it did when the restrictions had to be applied. This easing of the exchange position is not a recent phenomenon and is far from universal in its incidence—as witness the four specific exceptions made to the extension of greater freedom to transfer. The main improvement has occurred in the crucial sector of the US dollar. This does not mean that Lend-Lease has been used to excess or Reciprocal Aid too sparingly. It is the result, in the main, of the spending of their pay by the large and still growing American armies located in the sterling area.

* * *

Guilder-Belga Alliance

The monetary agreement signed in London last week by the Governments of the Netherlands, of Belgium and of Luxemburg is notable, not only as the first such agreement to be entered into between any of the United Nations, but also as a token of the sectional approach, as opposed to the global, to the problem of the post-war exchanges. The agreement (of which details are given on page 591) provides in the first place for a stable rate of exchange between the guilder and the belga. Each Government undertakes to supply the amounts of its currency needed, in exchange for the other, in pursuance of their mutual trade. Provision is made for the investment of any balances, held in one country by the Government of the other, which come into existence as a result of any temporary lack of equilibrium in the volume of funds flowing each way. There is also provision (though in very general terms only) for the restoration of equilibrium if these balances are found to persist and accumulate on one side or the other of the account. The agreement thus represents the practical application, on a modest scale, of the principles underlying the all-embracing schemes that have been propounded for international currency stabilisation; in the wide scope of its provisions it is a true microcosm of those more ambitious schemes. Nor should the scale of the agreement be minimised. Allowing for the inclusion of the Dutch colonial empire on the guilder side and of the Congo and Luxemburg on the other, it will be found that by this agreement a weighty contribution has been made to the cause of post-war monetary stabilisation. The signatories, moreover, invite other countries to adhere to the agreement, and it is not improbable that in time the document signed in London last week may be regarded as the seed of a monetary agreement embracing the whole group of nations once known as the Oslo Powers. There is no essential conflict between this local exchange agreement and the wider objectives sought in the British-American plans and discussions. The text specifically states that

there is nothing in the present agreement to impede the Netherlands and Belgium adhering to multilateral international agreements relating to the stabilisation of exchanges. They pledge themselves to do so only jointly.

Indeed, the smaller the number of monetary units which that wider agreement will be called upon to weld together the easier will it be to bring to birth. Belgium and the Netherlands are therefore to be commended for their realistic decision to anticipate the conclusion of a wider agreement and to find a solution for their bilateral exchange problem, a problem which may well crystallise when the Treasury experts of the larger countries are still immersed in their blue prints.

* * *

Shorter Notes

In the House of Commons on Thursday of last week Mr Morrison announced that a special public inquiry will be undertaken by Lord Justice Goddard into the Hereford juvenile court case, commented on in *The Economist* last week (page 551). In the meantime he asked that judgment should be suspended. He corrected, however, the im-

pression that the magistrates had sentenced the boy to be placed in charge of the local education authority for seven years. What happens in such cases is that the period of care by the LEA is indeterminate, and subject to review, but must cease at the age of 18. Thus, seven years would, in the case in question, have been the maximum period of care by the LEA, not the period imposed by the sentence.

Brigadier R. E. Laycock has been appointed Chief of Combined Operations in succession to Lord Louis Mountbatten. He is 36 years of age.

The Archbishop of Canterbury, in his presidential address to the Canterbury Diocesan Conference this week, described the Government's White Paper on education as giving "a glorious opportunity" to the Church schools. He said that if the proposal that the Church should retain complete control of its schools, provided it could find half the cost of readjustment and maintenance, had been suggested ten years ago, it would have been regarded as merely visionary. He was, therefore, amazed at the lack of enthusiasm which this provision in the White Paper had evoked.

AMERICAN SURVEY

Political Trends in American Labour

(From a Labour Correspondent)

New York, September 4th
AMERICAN labour appears to be thoroughly aroused by recent developments on the domestic front. The passing of the War Labour Disputes Act (Smith-Connally Bill) by the 78th Congress is perhaps the central point in the irritation. (Incidentally, the law seems to be backfiring very considerably: instead of preventing strikes in war industries its provisions appear to be inducing strike votes, tending to relax the restraining influence of responsible national union leadership and to encourage provocative minority action.) But the Act is not the only cause of vexation in the labour field. The inadequacies of the price-control system, the tax policies of the Government and the failure of the Congress to place a check on inordinately high industrial war profits, are feeders of growing discontent.

The net result of the situation has been a significant move on the part of American labour in the direction of political activity. The Congress of Industrial Organisations (CIO) has set in motion two national committees, one on *Congressional Action* and the other on *Political Action*. The president of CIO, Mr Philip Murray, has stated the purpose of the undertaking to be "to mobilise the five million members of the CIO and to enlist the active support of all other trade unions for effective labour action on the political front." Both committees are officered by high-ranking leaders of the most important affiliates of the CIO. The second of the two committees, the more significant and powerful of the two, has Mr Sidney Hillman, president of the Amalgamated Clothing Workers, as chairman, Mr Van A. Bittner, assistant president of the United Steelworkers of America and next-in-command to Mr Philip Murray, as vice-chairman, and Mr R. J. Thomas, president of the United Automobile, Aircraft and Agricultural Implement Workers International Union, as secretary. The presidents of the rubber workers' and the radio, machine and electrical workers' unions are likewise serving on the committee. It thus represents an array of the most powerful, numerous and influential unions in the basic and mass production industries. A working fund, close to three-quarters of a million dollars, has been underwritten by the co-operating unions and more money will be supplied as the need arises.

The leaders of the CIO political movement know that to prove truly effective they must not seek to "go it alone." Mr Sidney Hillman said at the regional conferences: "It will be one of the major purposes of the CIO political committee to achieve united political action with the AFL and the Railroad Brotherhoods. Labour unity will not only mobilise the 14 million members of organised labour, but will stimulate and rally broad non-labour groups and help give effective political voice to millions of farmers, consumers and progressives of every walk of life."

To what extent this ambition will materialise soon and fully is not easy to see. In fact, the President of the American Federation of Labour, Mr William Green, has indicated that the Federation would not join any such combination. It is possible, however, that some of the railroad brotherhoods, if not all, may consider joining; they acted similarly in past years. Even if the three groups do not make a formal alliance for unified action, a measure of national co-ordination will be effected by each group

engaging in parallel action and informally co-ordinating major steps, and there is reason to assume that formal unified action of practically the entire labour movement may be consummated in a good many important industrial centres. Unified labour leagues or committees have been functioning with considerable success in Philadelphia, whose voting strength is a determining factor in the pivotal state of Pennsylvania, and in Cleveland, Ohio; and in the vital industrial state of New Jersey a state-wide United Labour League has been set up, in which AFL unions are represented, although the CIO constitutes the major part.

A conspicuous leader of the Committee on Political Action, when asked if the Committee is a pro-Roosevelt affair, observed, "I have no candidate." But it is generally taken for granted that labour will overwhelmingly support the re-election of President Roosevelt for a fourth term, if he chooses to run, or a candidate of his choosing if he himself does not stand for re-election. A recent Gallup Poll posed the following question: "If the Presidential election were being held to-day, and Roosevelt were running for President on the Democratic ticket against Wendell Willkie on the Republican ticket, how do you think you would vote?" With Mr Willkie the only Republican figure (for the present at least) that labour men might consider, the answer of skilled, semi-skilled and unskilled workers was 65 per cent for Roosevelt and 35 per cent for Willkie. The vote of union members on the same question gave Mr Roosevelt 71 per cent and Mr Willkie 29 per cent; it would seem that the leaders of labour do not, in this respect, deviate much, if at all, from the rank and file.

Of the labour leaders who are habitual Republicans, only two have much influence, and for the present they have no candidate. Mr Willkie is too much of a New Dealer for Mr William Hutcheson, the powerful president of the International Brotherhood of Carpenters and Joiners, AFL; for Mr John L. Lewis, the powerful miners president, who supported him in 1940, Mr Willkie is as bad as Mr Roosevelt with regard to international policies. Mr Lewis, however, is a resourceful man. He is unalterably opposed to any of the works of Mr Roosevelt and the New Deal. He is nowadays antagonistic to the CIO and to any and all of its outstanding leaders. And he has lately had further reason to dislike most of the leaders of the AFL because of the obstacles they have placed in the way of his re-affiliation with the AFL, for which his application is pending. It is not known or clear what he plans to do. However, he has a very powerful union with tremendous financial resources at his disposal. If he chooses to mobilise them for action and decides to spare no effort or money, he can do a great deal to upset other plans. The miners are situated strategically in states like Ohio, Pennsylvania, Illinois, West Virginia, whose election results often play a determining part in the total national outcome. His district 50, an all-inclusive labour movement in itself, comprises workers in all kinds of industries, including farmers, and thus he has avenues of approach to influence in states other than those where his coal diggers are engaged. One will recall his reference, made in 1940, to "50 million sunken bellies" for whom he considered himself a natural and authorised spokesman. Many of the 50 million bellies have ceased to be shrunken

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

in these wartime, all-out-production years; but if the election should coincide with the end of the war he will have a talking point. He would make a strong appeal by picturing the threatening horrors of Demobilisation Day.

There is some similarity between the overall political features of the American labour situation to-day and that of Britain in the day of the Labour Representation Committee and the Taff Vale case, and speculation on the resemblance naturally leads to the question whether labour is seeking to form a party of its own. To this the leaders of the present movement say emphatically no. The Chairman of the Committee on Political Action has emphasised this in his formal statement:

"It is definitely not the policy of CIO to organise a third party at this time. Such a party, to-day, would only serve to divide and divert labour and progressive forces, resulting in the election of political enemies."

The official statement of the whole committee, speaking for the entire CIO, is equally emphatic on this point:

"United labour action should not take the form of a third party at this time. For even apart from the technical problems of placing a third party on the ballot nationally in 1944, such a party would to-day serve to divide and divert the labour and progressive forces from our main task, unity for the election of progressive win-the-war candidates who fully support our Commander-in-Chief, regardless of party affiliation."

There is, of course, the teasingly recurring refrain "at this time." But it is likely to be more than "this time" before different action will be counselled by the existing leadership. Apart from the disinclination of most leaders toward "taking a plunge into the unknown," American election laws present some very considerable difficulties. The electoral laws of most states do not permit candidates for the presidency or the Congress to appear simultaneously on more than one party ticket, nor do they provide for any second balloting, or transfer of votes in the event that no candidate secures an absolute majority. The result is that in most states (including most of the largest and politically important states, except New York) a third party must run candidates alone, outside of any coalition, and win or lose independently, with the risk of splitting the vote. The several attempts at establishing third parties which have thus far achieved a measure of success, such as the Farmer-Labour party of Minnesota and the Progressives in Wisconsin, have either been free of the election law handicap or achieved their results in state politics; because New York State laws permit the running of a candidate on more than one ticket, it has been possible for the American Labour Party to assemble enough of a vote to play the part of a balance-of-power party there in some instances. In general, however, independent action holds no prospect of sizable success; there is hardly a district in the industrial sections of the United States where a labour candidate could be elected independently. But the labour vote, when combined with other liberal insurgent votes, can either cause the defeat of a candidate or sometimes effect the election of a candidate. Under these circumstances a movement which is out for something better than moral victory is obliged to plan its work within the confines of one of the older parties.

American Notes

Senate Participation

Senator Connally seems to have succeeded in framing his Senate resolution to draw the least fire. Although the debate may become more acrimonious, the first two days were marked mainly by the dissatisfaction of those who felt the resolution did not go far enough and was not sufficiently precise. Significantly, this group is led by the Senators who first conceived the idea of a Senate resolution favouring post-war collaboration, and who have laboured most devotedly, in and out of Congress, for its passage. Senator Ball, joint author with three other Senators of a more strongly worded document, has gone so far as to argue that the present phrasing—

join with free and sovereign nations in the establishment and maintenance of international authority with power to prevent aggression and preserve peace

—points toward a multilateral military alliance, rather than collective security; he insisted that the American people would be willing to participate in a democratic world organisation, but not in a "Power Politics" alliance. Senator

Pepper, on the other hand, characterised it as a Mother Hubbard, which covered everything and touched nothing. The truth seems to be, as Senator Vandenberg said, that it is the lowest common denominator and its sponsors refuse to insert even a preposition for fear of detracting from this magic quality. If it passes with an impressive majority, as is now prophesied, it will be a proof of a national change of heart substantial enough to impress even the former isolationists in the Senate. But no one will pretend that it does not raise more questions than it settles. This is the preliminary rather than the final stage of the debate on foreign policy. The body and substance are yet to come. In part this filling in of the framework will be the work of the Administration, and the Senate will pass upon the blueprints rather than formulate them in detail. But in such matters as the investigation of Lend-Lease, and the investigation into world communications (most unfortunately delivered over to Senator Wheeler), the Senate already has the opportunity of demonstrating how much the admirable generalities it has subscribed to mean in practical relations with other countries.

The Rising Tide

A heavy new attack on the wage stabilisation programme is developing. The primary threat comes from the as yet unresolved position in the coal industry. The warnings of the War Labour Board and the requests of the union leaders alike have failed to end the stoppages in Alabama and Illinois, or, indeed, to prevent their spread. The "truce" deadline, after which Mr Lewis considers himself free to call an authorised strike, is now less than a week off; and the prospects of a new contract being signed have been put off once again by the War Labour Board's rejection of the Illinois contract. The coal situation is becoming so dangerous that the Board may be compelled to recommend that the Government reassume control of the mines. This might satisfy that section of the miners which is unwilling to work for the operators without a contract, and it would be the first step toward making the strikes subject to the penalties prescribed in the Smith-Connally Act. Presumably it is this threat which has made Mr Lewis so urgent in his pleas that the miners return to work in the interests of the war effort, and "certainly in the best interests of the union." A recent report from the Combined Coal Committee has made it clear that, without a major coal strike, consumption of US bituminous coal, at over 600 million tons in 1943, will exceed a production of 590 million tons and necessitate withdrawals from an already reduced stock-pile. By January reserves may have fallen to 40-days' supply. Already Mr Charles Wilson, of the War Production Board, has warned that steel mills have only a two weeks' supply of coal. The position in coal is not the only danger. This week the leaders of the "big five" unions of operating railroad employees have decided to order a strike vote against the award of a wage increase of only 4 cents an hour, against a claim of 30 cents. These unions comprise 350,000 members. The unions of non-operating employees, with a million members, are also engaged in an attempt to reverse a recent decision of the Stabilisation Director, which set aside an award to them of an 8 cent an hour increase. Despite the WLB's brave stand, both the coal miners and the railwaymen constitute such a crucial part of the war effort, and of the civilian economy, that the Government may be forced to make concessions against which it has, in principle, set its face. And these will, unavoidably, stimulate demands elsewhere.

The Cost of Living

The core of Labour's attack on wage stabilisation is the charge that the Administration has not as yet proved its determination and its ability to roll back the cost of living. Stabilisation officials point with pride to the decline in the cost-of-living index, which in May, 1943, was 6.2 per cent above September 15, 1942, and in August was only 4.6 per cent above that level (to which the Government has promised to reduce the index). In a recent conference with labour leaders, Mr Roosevelt reiterated that the roll-back would be continued until this was achieved. Labour, however, is not convinced that the index is a fair test of prices paid, and the President was forced to agree to an examination of the statistics to determine their reliability. Whether, in fact, the Administration will be able to carry out its

promise of further reductions is doubtful. The failure to secure a realistic tax programme puts both the rationing and price control programmes in jeopardy. Beyond this, to cut prices back, new subsidy schemes will be necessary, and not only has there been no relaxation of the hostility of Congress to subsidies—largely stimulated by the farm bloc—but a bill has already been reported out by the Banking and Currency Committee of the House which would prohibit the use of federal funds of any agency to subsidise the production or distribution of food. Mr Roosevelt's warning that he would veto such a bill has been promptly answered by the reported determination of Congress to pass the bill over his veto. An out-and-out battle between the President and Congress over price control, in the tradition of Leon Henderson, has no place in the President's campaign strategy. The tendency is rather to a toning down of controls and restrictions wherever possible, and appeasement of the malcontents. Mr O'Neal, of the Farm Bureau, recently argued that a little inflation would hurt no one, and the President very properly answered that a little inflation was like a little cocaine; it was habit-forming. But the capacity of the Administration to avoid it in the present political situation seems to be weakening.

Taxes: Nobody's Baby

The prospects for a realistic tax programme, never very bright, are fading rapidly. Whatever virtues the Treasury proposals may have possessed are immaterial now that the House Ways and Means Committee has flatly declined to increase the income-tax, from which the

Treasury had expected another \$6,530 million, and has declared its devotion to a policy of reduced spending rather than increased taxation. As non-war expenditures in fiscal 1943 are estimated at only 5 per cent of the total, the call for economy is almost meaningless. Obstructive as the opposition is, the Treasury's skirts are not entirely clean. The facts are simple. Government spending in the current fiscal year is estimated at \$106 billion, revenue from taxes at about \$38 billion, or about 36 per cent of the total. National income is running at the rate of \$150 billion. There is no dispute about where the new money is going: Mr Morgenthau pointed out that four-fifths of the national income was received by those earning less than \$5,000 a year. Yet the Treasury proposals would have repealed the Victory tax, thus releasing nine million wage-earners from the obligation to pay taxes, and the proposed income-tax increases were designed to bear most heavily on those with incomes between \$5,000 and \$25,000 a year. A sales tax is still being stoutly resisted by the Treasury on the grounds that it would provoke demands for wage increases. The raising of new tax revenue in an election year is painful both to the Administration and Congress. Apparently it is not going to be seriously attempted. Congress will write its own Tax Bill, which will, at the very best, procure about half the new revenue the Treasury asked for. The fresh blitz upon the nation's savers, although launched with all the resources of publicity, including mock invasions and air-raids, is not likely to fill the gap. The last War Loan was made inaccessible to the commercial banks, and was oversubscribed, but judged by the available indications, the proportion contributed by individual savers is not likely to prove substantial.

THE WORLD OVERSEAS

The Midcontinent Looks Ahead

(From Our Ottawa Correspondent)

September 19th

THE Canadian and American Mid-West is vitally interested in the international relations of the post-war world. It is largely rich prairie-land producing important agricultural surpluses. On the Canadian side particularly, the wheat farmers' fortunes are intimately tied up with the economy of Europe. It is, therefore, not surprising to learn that a special study of the interests of this region in the peace settlements has been made jointly by the Universities of Manitoba and Minnesota at the request of their respective governments. The unanimous report submitted by these economists of Manitoba and Minnesota finds that the areas on each side of the international border have basic problems in common, and recommends joint action in urging its proposals upon the United Nations. Regional studies within a federation are not new, but this is the first regional study on this continent which straddles national boundaries, and it symbolises a new sense of common interest which has grown up between Canada and the United States.

Naturally the report, "The Midcontinent and the Peace," is written from a regional viewpoint, but its proposals concern two important products of national interest in both countries—wheat, the principal export of Canada, and automobiles, a leading export of the United States. The economists signing the report, Arthur R. Uppgren, of the University of Minnesota, and William J. Waines, of the University of Manitoba, find that both countries have a common interest in these commodities, and urge that they should tackle the problem together. They advance three general proposals for earnest consideration:

1. A proposal that the countries of Western Europe shall greatly increase their importations of wheat, lard and pork from the surplus-producing countries, including Canada, the United States, Argentina and Australia.

2. A proposal that Canada and the United States co-operatively reorganise their automobile-producing industries by means that will secure for Canada maintained employment for her workers in her automobile factories and secure substantial reductions in the cost of automobiles to Canadian buyers; the United States section of the industry likewise will secure a larger output of automobiles and some, though perhaps slight, reduction in costs.

3. A proposal that the agriculture of the Prairie Provinces of Canada and of the Central North-West United States continue after the war to follow further the lines of agricultural specialisation that will have been developed by each of them during the war.

The authors of the report advance the familiar contention that the agricultural resources of Western Europe have been for years largely misapplied to the production of wheat at costs from two to two and one-half times of what it would have been in Canada, the United States, the Argentine and Australia; that the prosperity of both world export and world deficiency areas would be enhanced if agriculture in Western Europe (including Britain) were reorganised so as to release the land for more profitable uses; that a necessary concomitant would be a substantial reduction of tariffs by such countries as Canada and the United States upon those commodities which Western Europe could offer in exchange.

They recommend the consideration of agreements whereby all the Western European countries, including Britain, will undertake within a specified period, perhaps fifteen years, to receive certain agricultural products, wheat, pork and lard, for example, from producing countries in specified maximum amounts. The producing countries would assist in the reorganisation of European agriculture to permit the import into Europe of larger than pre-war imports of such agricultural products, and would under-

take to press for reductions in their own tariffs to permit payment to take place in the form of goods. They contend that the benefits inuring to both parties will extend even to those engaged in agriculture in Western Europe because of the active demand for other foods which would arise and which European agriculture could more profitably supply. The authors attempt an estimate of the recent cost of economic self-sufficiency in Europe, to which must be added the cost of those policies in North America which a glut of unexportable products made necessary. They cite "Government payments" to US agriculture for the years 1933 to 1940 as \$3,859 million, of which a considerable part went to the US wheat grower for not growing wheat. They estimate that for Germany, France and Italy the cost of their policies of self-sufficiency in wheat (in all three countries), and in barley and pork in Germany, was no less than \$1,517 million in 1936, based on the assumption that their needs could alternatively have been supplied by North America at current export prices.

Pooling the Motor Industry

The proposal to "pool" the automobile industry of North America so as to obviate the impediments of border tariffs offers, in the mind of these economists, a series of benefits. The consequent reduction in costs of production would enlarge both domestic and external markets. The increase in industrial employment thus engendered would in turn improve the position of Canadian and American agriculture by enlarging the home market. The Canadian farmer would benefit by a substantial reduction in the cost of automobiles and farm trucks. The American farmer would benefit less substantially in this item, but he too would find his production costs somewhat lowered.

A few years ago such a suggestion would have seemed chimerical, but the authors of this report are able to point out the extent to which, under war pressures, the industrial activities of these two countries have been integrated. There has always been a particularly close link between the parent automobile factories in the United States and their branch plants in Canada. It is here proposed in a general way that, after the war, the joint managers of the automobile industry in both countries should undertake only those productive processes in Canada which could compete with cost levels in the United States, with the reservation that established levels of employment be not lowered thereby. The result would presumably be to limit the number of makes produced in Canada, and perhaps of the models of those makes. If the proposal were confined to the assembly process, parts would flow freely across the border tariff-free, as would the completed cars.

The joint managements of the industry would undertake to achieve in those productive operations in each of our countries [say these economists] what is commonly called best, most efficient, or "optimum" size. Such optimum size is simply another way of saying lowest possible cost levels, and, therefore, price levels. The re-arrangement of the industry on the Canadian side certainly can yield, with the known highly efficient labour and management available in Canada, a volume of production capable of maintaining past normal levels of employment.

It is a far cry from the blue-prints of provincial economists to accomplished fact in such sweeping proposals, but it may not be without some significance that the Canadian provincial Premier who launched this inquiry, and whose views may be assumed to harmonise with the basic principles of this report, has since accepted the national leadership of the Progressive Conservative Party of Canada, and stands at least as good a chance as anyone of being the next Prime Minister of Canada.

Canadian Metals

[BY A CORRESPONDENT]

IN an article published in *The Economist* of February 13, 1943 (page 211), it was pointed out that the value of Canada's mineral output in 1942 reached a new record of \$564,200,000, compared with \$470,179,000 in 1939. Almost seven-tenths of last year's production was accounted for by metals. The Dominion Bureau of Statistics does not publish detailed figures for individual metals, but recently Mr C. D. Howe, the Canadian Minister of Munitions, for the first time lifted the veil over some of the Dominion's most important metals.

Mr Howe stated that Canada's production of aluminium is now running at an annual rate of 503,000 short tons, compared with less than 100,000 short tons in 1939. The rise during the war has been continuous. By 1940 production had reached 109,200 tons. It increased to 212,300 tons and 335,800 tons respectively in 1941 and 1942, and, as Mr Howe's statement on current output shows, the rise continues. The extent of the increase during the past four years can only be fully realised if it is remembered that the current Canadian output is not much smaller than the entire world output of aluminium in the years preceding the war. The increase in Canada's aluminium production has been in part financed by the British and United States Governments. During the war, Canada supplies the bulk of its production to Great Britain and the United States, but there is every reason to expect that, after the end of the war Canada will look to the British Empire, and particularly the United Kingdom, for its chief market. The United States will then be self-sufficient in aluminium, and is unlikely to continue to import any large quantities of the metal. Already, before the war, Canada was the United Kingdom's largest supplier of aluminium.

Refinery Output

Other figures released by Mr Howe on Canadian metal production refer to the refinery output of the three leading non-ferrous metals as well as of nickel. In nickel, Canada has for long been the world's leading producer, and it is certain that, as a result of the huge expansion programme carried out by the International Nickel Company between 1940 and 1943 at a cost of \$35 million, the Dominion's share in world production has been raised well above the 80 per cent it accounted for before the war. In 1942, its output of refined nickel amounted to 93,300 tons, against 64,500 tons in 1939. For copper, Canada's refinery output reached 270,600 tons in 1942, compared with 232,000 tons in 1939. At the same time, its production of zinc advanced from 175,600 tons to 216,000 tons, while that of lead rose from 191,000 tons to 243,800 tons. For lead, the 1939 output was slightly below the potential maximum, but Canada's refinery production of nickel, copper and zinc in 1939 had reached 100 per cent of the rated capacity of the available smelting and refining plants. The wartime advances, therefore, show that during the past three years the Dominion must have expanded its refining works very considerably. Nevertheless, the production figures for refined metals do not reflect the whole expansion in Canada's metal production since 1939. Some of Canada's ore supplies have always been refined in other countries, in particular, in the United States and the United Kingdom. It can be assumed that these shipments of ore abroad, especially to the United States, have risen during the war.

Canada's Contribution

There are no official details of Canada's recent production of other metals, but it is known that the Dominion is now supplying 20 per cent of the total United Nations' output of mercury, a metal not produced in Canada before the war. Moreover, Canada's silver and platinum—the Dominion is the world's largest platinum producer and supplies far more than half of the world output—are now essential to the Allied munitions production. The Dominion has also started to produce magnesium and tin, and its supplies of a number of steel alloy metals—tungsten, chromite, molybdenum and vanadium—are known to have reached a considerable size. This year a new and intensive search for strategic mineral deposits has begun, which includes for the first time the areas opened up by the Alaskan Highway and its subsidiary road system.

Books Received

- The Free Negro in North Carolina, 1790-1860.* By J. H. Franklin. (London) H. Milford. 271 pages. 24s. net.
- Social Goals and Economic Institutions.* By F. D. Graham. (London) H. Milford. 273 pages. 20s. net.
- The International Standardisation of Labour Statistics. International Labour Office. Studies and Reports. Series N. No. 25.* (London) P. S. King and Staples. 169 pages. 4s. (Montreal) I.L.O., \$1.00.
- League of Nations. Bulletin of the Health Organisation. Typhus Fever.* (London) Allen and Unwin. 76 pages. 4s. net.

Germany at War

November Days

THE twenty-fifth anniversary of Germany's sudden and unexpected collapse in November, 1918, occupies public opinion in all the belligerent countries. Among the peoples of the United Nations there is the hope that Germany may again collapse on another fifth November of another world war. In Germany the leading Nazis know that November, 1918, has not been forgotten; they are not sure that history cannot repeat itself.

In November, 1918, the semi-feudal Empires of Germany and Austro-Hungary collapsed. Bulgaria began armistice discussions on September 26th, Austria and Germany approached the President for an armistice on October 5th, and Turkey on October 25th. Austria concluded an armistice on November 3rd, and Germany on November 11th. Before the appeals were made each country had changed its Government, and in each case the new Governments had either promised or actually made concessions to popular democratic demands.

In both Germany and Austria opposition to the war had started when the war started in the autumn of 1914. At each stage of the war parliamentary and public opposition gathered strength and found new expressions. In 1917 the German Reichstag debated a Peace Resolution which was endorsed by 212 deputies of the Socialist, Liberal and Catholic-Centre parties against 126 votes by members of the various Conservative parties. At the same time, the Imperial Government was forced to introduce equal, direct and secret suffrage; the semi-feudal three-class voting system in Prussia was abolished. After nearly three years of "Burgfrieden" the trade unions returned to active politics. Their membership increased, and a wave of strikes, frequently with political aims and directed against the war, culminated in strikes by munition workers in the big industrial centres in January, 1918.

There was, throughout the war, a strong democratic tide against the Imperial regime, which was held responsible for the war by the mass of the people, represented by active democratic parties. The effects of the blockade, military defeats, and the defection of allies speeded and deepened these tendencies, which finally found expression in democratic revolutions out of which new Governments came. In other words, Germany collapsed after a long process, in which popular democratic forces were ultimately victorious against a semi-feudal Imperial régime. Outside Germany there was the Russian revolution, which gave the German people a concrete example of how the war could be ended and a feudal regime overthrown; and President Wilson's Fourteen Points served as the basis for appeals to end the war by a democratic settlement.

Totalitarian Crisis

In November, 1943, the political and military scene is entirely different. The totalitarian regime came to power and developed its strength on the disappointment of the people in democracy. Political opposition is not allowed to take on any organised form, and the social cohesion of groups and classes has been superseded by totalitarian organisations. This regime has been waging war for more than four years. The period of military successes during the first phases of the war left the people unmoved, and the period of military reverses, the impossibility of ending the war, and the defection of Italy, together with the steady weakening of the material situation and Allied bombing have put the Nazi regime to very severe tests. At times there have been acute crises, military as well as political.

The disaster at Stalingrad and the fall of Mussolini produced such crises. Stalingrad signalled the end of the purely military approach; the Nazis had until then been confident of winning the war because of their military success. After some hesitation the regime decided to adopt a military policy of active defence, and a political policy of attack, with the object of splitting the coalition of the United Nations. This explains the long inactivity on the Eastern Front in 1943, and the liquidation of the African campaign. The German attacks in Russia, which began on July 5th, were intended mainly to forestall a Russian offensive. The new plan, military defence and political

attack, was thrown out of gear by the unexpected fall of Mussolini, which opened the possibility of the loss of positions in southern Europe, whose loss would have been fatal at the time of a determined Russian offensive. There was a crisis in Germany more dangerous than the crisis of Stalingrad. The way this domestic crisis was held, at least temporarily, shows the profound differences between the years 1918 and 1943. If there had been democratic tendencies and movements in Germany, the regime could not have recovered; defection would have spread from Italy, where the regime broke down under the impact of the Allied advance, and where the institution of a monarchy provided a point of concentration against Mussolini.

Disappointed generals and leading business men certainly saw, during these days, the first rays of hope for replacing the Nazi Government. But the absolute centralisation of political and military command made it possible for the Nazis to adjust themselves and survive. A general withdrawal in Russia was prepared and subsequently executed; the military advantages of this move could be questioned, but the political implications were obvious. Approaches would now be made, alternatively, to Russia and to the western democracies. The Russians, the Nazis thought, could be tempted by the offer of all their lost provinces; or the Western Allies could be scared by the Bolshevik bogey—with the Soviet steamroller moving swiftly westward.

This was almost certainly the plan. But Russia did not comply. The Russian armies followed the German troops with tremendous determination, and slowly but surely the tempo and the character of the planned withdrawal changed. Military considerations were forced again upon the Germans, and the present position of the German armies is very critical. Fewer German troops are actually engaged in Russia now than in 1941 and 1942, and their fighting morale still seems unbroken, but they are in great danger.

At home, influential opponents of the Nazis, in the home establishments of the Wehrmacht, leading business men and others probably still believe that the regime is by no means stable. But broad masses of the population still show an almost unbelievable apathy, not roused either by the privation caused by bombing or by the tightening of police control. Numerous conferences of party leaders and home military commanders, of judicial officers and of propagandists, together with a concerted propaganda campaign at public meetings, show that the regime, so far still secure because the Army is still unbroken, is determined to regain and keep full hold. Some successes against bombing attacks, and the slow progress of the Allied troops in Italy, have helped to ease the situation; so, too, has the windfall of a better bread-grain harvest.

It is, however, clear that a real and more lasting political recovery must call for some successes in the military field. The stabilisation of the Eastern Front would be such a success. The infliction of reverses on the Allied armies in Italy or a "pacification" of the Balkans would be another. But if the Russians continue their advance, and if the Allied armies in Italy also make progress, the spectre of November, 1918, in its meaning of sudden collapse, may become uncomfortably real for the Nazis.

The Nazis proclaim, of course, that the situation is different from 1918, and that the November days cannot be repeated. This is the main object of their present tremendous propaganda campaign. They protest too much. The situation is different. But it is an open question whether the Nazis are not themselves captives of the tradition of 1918. Nazi ideology, with its racial beliefs, and stupid barbaric nationalism, is really a bundle of superstitions. Having now no clear conception of why Germany collapsed in 1918, they are naturally uneasy lest history should in fact repeat itself. They have convinced themselves, falsely, that the German armies left the field unbroken and unbeaten in 1918; and they have never understood the complex interplay of the effects during 1914-18 of democratic opposition, the blockade and the military reverses. So now, with the army this time still unbroken in fact, they are worried and anxious as another November approaches. In the absence of a concerted Allied blow, they may recover their balance; but they are looking over their shoulders with alarm.

Russia at War

Soviet Commonwealth of Nations

THE Soviet armies have nearly won the Battle of the Ukraine. The liberation of Belorussia has started. As long as fighting was confined to Russian territory emphasis in Soviet policy was on the rôle of the Russian people in the war. It is not surprising that, with the new turn of the war, a new tone has appeared in Soviet political warfare. Very distinctly, the emphasis has been shifted to the multi-national character of the Soviet state; and Moscow speaks, not only on behalf of Russia, but on behalf of the vast agglomeration of nations and peoples that might very well be called the Soviet Commonwealth of Nations.

An analogy between the British and Soviet Commonwealth of Nations is as tempting as it may be misleading. The historical conditions, the economic backgrounds, the legal and political frameworks of the two systems are too different to allow for any neatness in comparison. Yet there are similarities. Moscow, like London, and to an immeasurably larger extent, is a centre and metropolis. The countries which form the Soviet Union represent as many and as different stages of development as the countries which are parts of the British Commonwealth. The Ukraine and White Russia, or Trans-Caucasia, might perhaps be compared with Canada and New Zealand or South Africa. Apart from Russia, they were the two most advanced parts of the Soviet Union before the war. The great Asiatic land mass, with its variety of races, peoples, languages, and with its economic and cultural backwardness, held a place in the Union of Soviet Socialist Republics similar in some respects to that of India in the British system.

To say that the liberation of the Ukraine means to the Russian people as much as the liberation of Canada from enemy invasion would mean to the British would be an under-statement. The Soviet Union is one land mass, not separated by seas and oceans. The political and psychological distances between Kharkov and Moscow or Kiev and Leningrad are relatively small; and this gives the measure of the effect which the liberation of the Ukraine will have on Russia.

Soviet Centralisation

The other important difference lies in the degree of economic and political centralisation. Tsarist policy aimed at the Russification of non-Russian nationalities. The Revolution proclaimed their equality and independence. Lenin's policy was marked by a sense of guilt, the guilt of the "Great Russian nation" towards oppressed nationalities. The demands of the various nationalities for independence were generously granted; and, until 1923, their union within the new Soviet state was maintained on the basis of a far-reaching decentralisation of political power. The Governments in Kiev and Minsk enjoyed a relatively wide autonomy. For several years diplomatic envoys of the Ukraine and Belorussia functioned beside Russian ambassadors in a number of Soviet legations abroad.

The constitutional change that took place between 1922 and 1925 marked a big step towards increased centralisation. The federal structure of the multi-national state was replaced by a much closer union. The new centralisation reflected to a very large extent the needs of a new period. Economic reconstruction demanded a high degree of central planning as well as a restriction of the powers vested in various non-Russian governments. In the late 'twenties and in the 'thirties the process of centralisation passed by its own impetus beyond the limits dictated by purely economic or administrative needs. In the course of the Second and Third Five-Year Plans the autonomy of the Ukrainian, Belorussian, Georgian or Tadjik Governments dwindled almost to nothing. The Governments themselves were on many occasions purged, reshuffled or replaced exclusively on decisions taken in Moscow. True, this super-centralised regime was not directed particularly against non-Russian nationalities. Russians, too, were affected by it. And in the ruling stratum in Moscow itself Russians enjoyed no special predominance. Ukrainians and Georgians, men of the once

oppressed nationalities, occupied, and still occupy, commanding governmental posts beside Russians. Even so, the fact that total control over the whole life of the USSR was exercised from Moscow was bound to give rise to friction, which in the non-Russian regions sometimes took the form of ineffective opposition to Moscow.

While Kiev, Minsk or Baku in the pre-war years were far less independent than any Dominion or even colony in the British Commonwealth of Nations, all the non-Russian Republics could nevertheless claim unparalleled achievements in economic development and in education. Under Tsarist rule only the western borderlands were developed. The eastern lands remained beyond civilisation. The western borderlands, mainly the Ukraine, had been developed as areas of primary production; their manufacturing capacity was insignificant. Under the Five-Year Plans, the Ukraine, as well as the other Republics, benefited, not only from the expansion of primary production, but also from the development of large-scale manufactures. In 1939, the secretary of the Ukrainian Party, Krushchev, could say:—

In the course of the second Five-Year Plan the output of pig-iron in the Ukraine has increased two and a half times. The output of pig-iron in only one of our metal plants (the Makeevka) is twice as big as the output of all the metal plants of Poland. . . . The output of steel has been almost trebled in the course of the same period. The plants of the Ukraine produce as much steel in a year as all the plants of Japan, Italy and Poland taken together. Machine building has grown by 30 times compared with 1913. The coal output of the Ukraine is twice as big as that of Poland.

Russia and Non-Russia

Ukrainian nationalists spoke, in spite of these figures, about the "economic exploitation of the Ukraine by Russia." They based their argument mainly on the fact that the share of the Ukraine in total Soviet production had fallen because of the industrial development of new areas. But there is no evidence to show that the development of other areas took place at the expense of the Ukraine. The economic expansion benefited all the Republics—Russian and non-Russian—though in varying degrees. The indices of industrial growth over a number of years were even lower for Russia (R.S.F.S.R.) than for most of the non-Russian Republics; and the indices of the Ukraine kept pace with those of Russia. In the last year for which detailed figures are available, 1941, the indices of planned capital construction told a rather interesting story. The increase in capital construction for the Russian federated Republics was planned at 50 per cent; the corresponding figure for the Ukraine was 76 per cent, for Belorussia 45 per cent, for Georgia 101 per cent, for Armenia 135 per cent, for Azerbaijan 122 per cent, for Tadjikistan 83 per cent, for Kazakhstan 51 per cent and for Kirghizia 132 per cent.

The economic predominance of the Russian metropolis was over the other parts of the Soviet Commonwealth distinctly waning. No competitive motives restricted the industrial development of the non-Russian Republics, and the general economic expansion left enough scope for simultaneous growth in all parts of the USSR. The old industrial centres of Russia were intensively developed, new manufacturing industries sprang up in the Ukraine, and in the Asiatic Republics modern industries were superimposed upon the background of a primitive, and not infrequently nomadic, mode of life. It is obvious that standards of life were incomparably lower in the east than in the west up to the outbreak of the war. But the industrialisation of the east, which has been speeded up by the war, undoubtedly created the preconditions for a progressive advance after the war.

The Soviet Commonwealth of Nations has shown an amazing vitality during the war. The super-centralised political system would by itself hardly have been able to achieve this success without the background of a common economic expansion throughout the whole of the Soviet Commonwealth. On the contrary, excessive centralisation has probably cost Russia considerable overhead expenses. The great problem which will confront the USSR when all its lands are liberated is whether in the course of time it will be able to become as genuine a Commonwealth in the political sphere as it already is in the economic field.

THE BUSINESS WORLD

Building Societies in Reconstruction

IT is a remarkable and disturbing fact that Britain, having planned so successfully its part in victory, still lacks the instruments for planning reconstruction. True, much is being done towards the preliminaries of post-war planning; there is general agreement, from Prime Minister downwards, on the broad priorities; a handful of Ministries, interested in a score of different aspects, are co-ordinating themselves. On the administrative level, minutes and recommendations abound; progress reports of potential policy are appearing. But of clear-cut decision, of precise undertakings on such critical matters of policy as the Uthwatt report, of any hint of detailed application of a rehousing policy, there is no sign.

Should we plan, and if so, in what direction? The question is a vital one in housing policy, and the answer crucially affects the part which the building societies are destined to play in it. So far, the undertaking is provisional and general. The Government has in mind a prospective labour force in the building industry of 1½ millions. *The Economist* has estimated that this force, which would be well in excess of the pre-war boom level, would be capable of producing between four and five million houses in the post-war decade, at a cost of, say, £250 million annually, or more if costs settle down at a level substantially above the pre-war. How this volume of new house building would be financed (assuming that it was realised, which is doubtful) by the Government, by local authorities, and by building societies, and other financial agencies, is impossible to guess. Assuming that half of the houses built were financed by building societies (as they were between the two wars), the movement would be responsible for, say, £125 million of new mortgage business annually compared with its 1937 peak lending of £137 million. Doubtless, it would be ready to face this task. As new building has ceased during the war, so, virtually, have mortgage advances. At the same time, the societies are restricting the amount of idle money they are prepared to receive from investors. Meanwhile, old mortgages have been steadily repaid until, at the end of 1942, they represented no more than £608 million out of total assets of £753 million. Thus non-mortgage assets (mainly cash and realisable securities) now represent nearly 20 per cent of the whole. In the heyday of the lending boom, 5 per cent was regarded as respectable, and even the purists did not advocate more than a 10 per cent cash reserve.

Clearly, release from financial controls would enable the societies to finance £1,250 million of new housing in the post-war decade. Removal of restrictions on the intake of new funds would, on past precedents, provide all the needed cash. But the prospects are not so clear cut as this statistical thinking aloud might suggest. There are still imponderable factors largely outside the societies' control, such as the level of post-war building costs and the construction of houses for rent; within the movement there are potential improvements in finance and organisation which could greatly enhance their contribution. Perhaps the prospective level of building costs is the most critical single factor. Money wages in the building trades have increased sharply, and labour costs even astoundingly, during the war; it would be optimistic to expect a sharp reduction in either immediately peace comes, unless there is a revolution in building methods. Equally disturbing is the rising cost of land, attributable in no small measure to official equivocation on the Uthwatt proposals. Assurances have been repeated that local authorities will be able to buy any land in reconstruction areas for redevelopment at values determined by the level of March, 1939. How these guarantees are likely to assist the provision of cheap housing by private enterprise in undeveloped areas is a moot point. The Uthwatt report has been described by one building society spokesman (speaking, incidentally, for himself and not for the movement as a whole) as a "mortal blow" at the principles of house ownership, to be opposed "tooth and nail." But if the incipient boom in land values continues unchecked, it is questionable if post-war housing needs will

ever be met by private enterprise, and certain that confusion, and not control, will prevail.

Although the Building Societies Association has declined to follow this line, it has not, on the other hand, expressed any clear view on the practical measures necessary to keep building costs as low as is consistent with good quality building. Indeed, two of its preoccupations suggest that high costs will be an unavoidable evil in the early years of peace. The first is the suggestion of a subsidy to stabilise the price of building materials—which would benefit private building and encourage local authorities' rehousing schemes at low rents. The second is the formulation of an interim lending policy designed to prevent any support to inflated property values. But the societies also recognise that the provision of houses for letting is likely to have first priority after the war. This is a new, largely untried field, in which the movement has offered its assistance. It involves, doubtless, guarantees by central or local authorities, on the one hand, to replace the personal covenant of the individual borrower; on the other hand, the length of life and the financial terms of such lending would presumably be much less favourable to the societies. Nevertheless, it may be an important part of the societies' business in the period immediately after the war, for if Government policy gives a priority to the building of houses for letting, there will be few new houses for sale, and therefore little scope for the societies' normal business, while the inflated values of existing houses will make prudent lending on their security very difficult. For a few years, lending on houses for letting may be one of the largest outlets for building society funds. The pros and cons of building subsidies lie outside the scope of this article, but it seems at least debatable whether a subsidy on building materials would be acceptable, despite its theoretical merits, in preference to a flat rate subsidy on houses, despite its demerits. If this line of speculation proves correct, we may expect that the building societies would increase their advance business gradually but steadily in the first few years of peace, and work up to their maximum potential in, say, five years. This might well prove to be the optimum timing for the full-scale resumption of private enterprise building, after essential industrial and rented domestic building arrears had been largely satisfied.

But the official plans remain unpublished, and these questions are conjecture, not policy. What can the societies do, meanwhile, towards improving their service? Already the Association, through a complex of sub-committees, is considering many aspects of reconstruction policy, guided by general principles of planned housing improvement and a more selective lending policy than in the pre-war boom. Presumably, the question of interest rates is included on its agenda. There is general agreement that a policy of low interest rates should be maintained in the post-war period. Despite reductions in the tax-free rates of interest offered on shares and deposits, these are still fairly high in relation to the returns on other forms of popular saving. On the mortgage side, there is an important threat of competition from



**FOR ALL
INSURANCE
NEEDS**

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

the Co-operative Permanent Society, which now offers a mortgage rate of 4 per cent over a thirty-year term—roughly one per cent less than normal and for twice as long. These terms should not necessarily be dismissed as a bad thing merely because they are disturbing to the habits of thought of some societies. Low interest and a long term greatly ease the burden of the mortgagor, and that may be a material consideration when other elements in building costs are unduly high. True, thirty years seems the very limit to which mortgages could be reasonably extended on typical house property. But some reduction in mortgage rates should be possible. Assuming that advances are in future given only to those whose economic position justifies them—and the movement would readily admit that many borrowers in the past would not so qualify—the improved quality of borrowers' accounts should justify some reduction in the advance rates. In general, the interest rate structure of building society finance threatens to be too high in a post-war context of cheap money. Reductions in rates can only be carried out with full safeguards of security, and preferably by general agreement. The method of achieving this result, however, seems a matter for present consideration by the movement.

A final point concerns the internal reorganisation of the

movement. There are some who advocate a rigid regional grouping of local societies, to work co-operatively with planning authorities in their regions. Among a number of objections to this proposal one stands out: the bulk of building society advance business has long since ceased to be done by local societies. House purchase is financed by the Halifax on the South Coast, and the Abbey Road doubtless have mortgage borrowers in Yorkshire. Yet there is still room for the grouping of the small local societies who present separation springs more from sturdy independence than from any economic motive. The object is not to produce super-sized building societies—the large societies are probably large enough—but to encourage the growth of moderate-sized units, with keen local interests, strong finances, and more efficient management. This process must be enforced and gradual; it should involve neither aggressive empire building nor the marriage of giants.

Building societies have always prided themselves on the service which they render to the community. The movement will undoubtedly be guided by this spirit in the years of reconstruction, reinforced by the results of its current deliberations on post-war policy. Fortunately, its leaders are well aware that on these results hang gigantic social issues and crucial questions of personal well-being.

Business Notes

Minimum Prices

As part of its contribution to post-war reconstruction, a firm of London stockbrokers has launched what may fairly be described as a campaign for the removal of minimum prices for gilt-edged and similar securities. Their case for removal is that minimum prices are only suited to a crisis which must be of short duration, whereas, after the war, there may develop a sustained pressure to sell gilt-edged. Minimum prices would only suspend sales until such time as the pressure became so great that, either the minima would have to be lowered, or far-reaching action would have to be taken in other fields. Essentially the argument is a plea for a reasonable elasticity in long-term interest rates. This has brought an immediate defence from other quarters, which oscillates between the not incompatible statements, (i) that minimum prices are a good thing since they give time for further action to be taken, and (ii) that, in any case, the market becomes frozen in practice, since gilt-edged jobbers are not capable of taking up indefinite amounts of stock, and, consequently, drop their prices to a point where no reasonable person will sell unless he is under extreme pressure. Taking the second point first, it is surely not the function of a jobber to resist what he believes to be a long-term trend. If he does so he merely causes the price curve to move in jumps instead of smoothly. The first point is one of substance provided that the prime objective, to be pursued *à outrance*, is in fact the maintenance of the existing long-term rate of interest. If that is not the policy—and there is no reason so far to suppose that complete rigidity in this particular factor is intended—it would seem an unwise procedure to withdraw from a particular type of investment its character of marketability. So long as this is retained, there is little reason to suppose that the choice between remaining illiquid and facing a heavy capital loss will, normally, be decided in favour of the latter alternative.

"Window Dressed"

The money market has been thoroughly window-dressed this week and the process has in parts been rather painful. Barely had the credit position recovered from the previous week's overestimate of the Exchequer's requirements (this overestimate was apparent in the exceptional immobilisation of funds in public deposits in last week's Bank return), when it was assailed this week by the clearing banks' window-dressing for the October returns. The attack has been particularly violent on this occasion, because one of the larger banks, which normally makes up in the penultimate week of the month, decided for certain reasons to postpone that performance to the current week, with the result that last Tuesday two large clearing banks were making up together. Hitherto the process of making up has been made tolerable owing to the careful spread of its incidence. A given amount of bank cash has thus done valiant service trotting from one bank to another during the making-up period, creating the illusion of a uniform 10 per cent cash ratio without unduly inconveniencing the market or the authorities. But when more than one bank lays claim to this hard-worked surplus on the same day trouble is bound to arise—as it arose this week. The market, therefore, was again compelled to seek assistance from the authorities. This was given partly by direct purchases of bills from discount houses and also by purchases from the clearing banks, which, in turn, helped the market by loans and bill purchases. The credit dislocation caused by this week's special circumstances, tends to increase rather than diminish. According to the calculations of the true cash position (the basis of which was explained in *The Economist* of September 12, 1942), the ratio to deposits dipped below 8 per cent for the first time in the months of August and September for each of which the published ratio was 10.4 per cent. One effect of the past fortnight's spasm of stringency in the money market has been to divert the stream of additional Treasury bills issued by tender for the benefit of the clearing banks back to the source from which it came. An amount at least equal to the additional issue of bills has made its way back to the authorities as a result of the special assistance they have had to give to the market—a somewhat ludicrous procedure, and therefore quite in keeping with the factors which have given rise to it this week.

FBI on Research

The widespread realisation of the importance of fundamental and applied research as the key to industrial progress is encouraging. The recent memorandum of the Parliamentary and Scientific Committee, summarised in *The Economist* on October 23rd, dealt mainly with the supply and training of research personnel. The latest con-

tribution, the report of the Industrial Research Committee of the Federation of British Industries, examines the methods and scope of research carried on in industry. Broadly, scientific research as organised by industry is carried on independently by individual firms and collectively, mainly through industrial research associations which, in addition to subscriptions from their members, receive grants from the Department of Scientific and Industrial Research. On the whole, the Committee expressed satisfaction with the present organisation of research, but it is far from satisfied with its scale and with the use made of existing machinery. Its detailed recommendations are generally sound, and deserve careful consideration. They are summarised below. But the Committee, realising that machinery is only a means to an end, went right to the heart of the problem.

Industry (it says) must not only be willing to exploit the machinery at its disposal; it is even more important, both nationally and for the individual firm, that it has the will to develop the results of research to the uttermost, and to take such risks as enterprise in new fields of endeavour must involve. To be first in the field of application is of even greater advantage to a country than to have been the birthplace of the discovery.

The advice is excellent. It is up to the members of the FBI to follow it.

Recommendations

The Research Committee of the FBI has made six recommendations:

Every manufacturing firm should take stock of its position and devote to research and development in its own research department the maximum effort and funds commensurate with its resources and with the nature of its problems.

Firms in industries which have their own collective research associations should consider carefully now whether their contribution to them, either in money or in other ways, is commensurate with the work which, if adequately supported, they could perform in furthering the general interests of their industries.

Every industry which has not yet created a collective research association should set up a committee to consider whether a research association would be of advantage to the industry, or whether collective research problems could be solved by some other means.

The Department of Scientific and Industrial Research should make the maximum use of its wide powers both in regard to the amount of grant which can be made available in relation to the countervailing contributions from members of a research association, and in regard to the eligibility for grants of types of organisation for collective research in which, though not research associations in name, are in fact fulfilling similar purposes.

The Government should allocate to the DSIR an annual sum of at least £1,000,000 for the maintenance and expansion of its activities.

A Bureau of Industrial Research should be set up in the immediate future. This should be national in scope, and though financially supported by those principally concerned, such as research associations, Government research establishments, universities and others, it should be entirely objective in its activities, which would include, among others, the publication of a year-book on research, educational publicity on research, advice on research problems, and the creation of a liaison between research workers in related fields.

Apart from these six recommendations, the Committee made a number of other suggestions. Rightly, though not unexpectedly, it supports the principle that research and development expenditure should be treated as an item of cost for taxation purposes. Moreover, the Committee found it "still necessary" to point out that—

The best results can only be obtained from a firm's research personnel if they are taken fully into the confidence of the management, and given a definite standing in the hierarchy of the organisation.

Belgian-Dutch Monetary Agreement

The monetary agreement signed between the Dutch and Belgian Governments, of which the general principles are discussed in a note on page 582, provides for the stabilisation of the two currencies at one guilder to 16.52 Belgian francs (3.304 belgas). No change is to be made in this official rate except by mutual consent. Buying and selling rates are to be applied on the markets controlled by the two Governments; these rates may not differ from the official rate by more than $\frac{1}{4}$ per cent either way, and the two Governments undertake not to exchange guilders or francs against foreign currencies otherwise than at the rates

dealt in on the official market. The monetary authorities of each country will make available the exchange required to finance the mutual trade of the guilder and Belgian franc areas (comprising the colonial territories of each country and Luxemburg in the case of the latter). The funds thus made available will be cleared through a centralised account, balances being struck on the last day of each month. That part of the credit balances which exceeds 30,250,000 guilders or 500,000,000 Belgian francs, will bear interest payable by the debtor country at the official rate of discount of that country. If the credit balance exceeds 1,000,000,000 Belgian francs, or 60,500,000 guilders, the two Governments are to consult together with a view to eliminating the disequilibrium. No gold or other collateral is to be demanded as security for these balances, but on denunciation of the agreement any balance would be invested in 3 per Cent Treasury bonds of the debtor country. The debtor country will have the right to meet its balance in gold, or subject to agreement, in foreign currency reckoned at the official rates. If an alteration in the official guilder-franc rate is decided upon, the balance of the clearing account outstanding at the time is to be readjusted in the proportion of the variation to protect the creditor from the agreed depreciation of the debtor's currency. Subject to agreement, the clearing account may be drawn on by each country in order to make payments to other countries, thus giving the agreement a multilateral character. In order to maintain equilibrium between their currencies at the official rates, and, in turn, between their currencies and those of other countries, the two Governments agree to consult on all questions of monetary and economic policy, and to co-ordinate such measures as they may decide to apply. The agreement is to run until January 1, 1949, but may then be terminated subject to two years' notice.

Blocked Sterling Releases

A batch of foreign exchange notices issued by the Bank of England by virtue of the Defence Regulations introduces considerable changes in the treatment of sterling funds which, since November, 1940, have been dealt with through

Consolidated Main Reef Mines and Estate, Limited.

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1943

Capital, £1,247,602 in 21 Shares, all issued, fully paid.

DIRECTORATE.

DR. H. PIROW (Chairman). A. A. AURET.
MAJOR C. S. GOLDMAN. G. CARLETON JONES.
W. H. A. LAWRENCE. A. G. PETTY. R. S. G. STOKES.

Tonnage Milled, 2,320,000.

		Per ton milled.
Total Working Revenue	£2,862,429 5 5	£1 4 8
Total Working Expenditure	2,335,475 14 11	1 0 1
Working Profit	526,953 10 6	80 4 7
Total Profit for the Year		£540,151 13 8
Balance unappropriated at 30th June, 1942		386,279 15 2
Forfeited Dividends Account		342 10 11
		£936,773 19 9

This amount has been dealt with as follows:

Expenditure on Capital Account for the year	£5,089 12 1
Miners' Pensions—Provision on account of Outstanding Liability as at 31st July, 1942	11,886 5 10
Taxation	236,449 16 1
	£253,425 14 0
	£683,348 5 9

Dividends declared during the year:—
No. 66 of 11½ per cent, and No. 67 of 10 per cent.

Leaving a balance unappropriated of £416,232 17 3

Available Ore Reserve re-estimated at 30th June, 1943:	Tons.	Value, Dwt.	Width, Inches.
Main Reef	969,900	3.5	58.9
Main Reef Leader	2,677,800	4.3	53.7
South Reef	2,256,400	3.9	49.0
Bird Reef	2,971,000	2.7	70.4
Total	8,875,100	3.6	57.4

There are in addition 1,110,100 tons of payable ore valued at 4.3 dwt. per ton contained in shaft and safety pillars not at present available for stoping.

Compared with the previous year, the available reserve shows a decrease of 959,900 tons, the average value is higher by 0.1 dwt. per ton, and the estimated stoping width is 0.9 inch less.

A severe shortage of native labour restricted underground operations throughout the year, resulting in a serious reduction in the tonnage crushed. To augment this tonnage, 199,522 tons of low grade ore were crushed. To augment this tonnage, 199,522 tons of low grade ore were taken from old development rock dumps and sent to the mill.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., No. 4 London-wall-buildings, London, E.C.2

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

INTEREST PAID HALF-YEARLY

INTEREST IS SUBJECT TO INCOME TAX, BUT
TAX IS NOT DEDUCTED AT THE SOURCE

3% SAVINGS BONDS

1960—70

Issued by the National Savings Committee, London

blocked sterling accounts. Where such funds are the proceeds of capital transactions, such as redemptions of securities, legacies, sales of real estate, surrender of insurance policies, the Bank of England will now be prepared to consider applications for their release and transfer. If funds previously in blocked accounts have been invested in any of the authorised securities, an application may now be made for a licence to sell these securities and transfer the proceeds of the sale. In addition to this retrospective release of blocked sterling, it is provided that funds arising from the same list of capital transactions will in future be eligible for transfer. These concessions do not apply to blocked sterling funds held for residents of Argentina, Canada, Newfoundland or Switzerland. Other notices concern the accounts of foreign nationals who have left the United Kingdom, but whose assets have been frozen by previous regulations. While these accounts remain blocked, transfers from them may be made to the country where the foreigner now resides within a maximum of £15 per head of family per month and £50 per month for a family. In addition, the Bank of England is now prepared to consider applications for the redesignation and release of such accounts. The effect of these relaxations will be to remove the greater part of the blocked sterling now held for persons residing outside this country. The amounts involved, though appreciable, are not substantial in relation to the abnormal sterling balances accumulating on overseas account in this country. All but a minute fraction of that sterling represents the holdings of central banks and Governments within the sterling area and South America, and these are not affected by these concessions.

Non-Residents' Investments

Three weeks ago attention was directed to certain complaints which had arisen with regard to what were felt to be undue restrictions placed upon the re-investment of certain funds by non-residents. It was then suggested that, although there was some fire behind the smoke, it was probably not extensive, and that an explanation would put the whole matter in perspective with beneficial results. At the end of last week the Bank of England was able to produce something better than an explanation, namely the removal of virtually all restrictions, those retained arising out of the requirements of a continuing exchange control. The effect is that as from the beginning of this week the sole restrictions are that holders of blocked sterling securities who wish to sell and re-invest may do so in any security so long as it (i) does not carry an option to take payment in dollars and (ii) runs for at least ten years. The relaxation is retroactive in effect. This step is part of a much larger one, discussed in the preceding note and on page 582, which will free for transfer something like 80 per cent of the total of blocked sterling balances and security holdings of non-residents. The three principal categories which are not freed are pre-war security holdings, balances and securities of non-residents who require the payments to be made to Canada, Newfoundland, Switzerland and Argentina, and certain refugee holdings, and all these categories are free to vary their investments subject only to the two restrictions mentioned above. There is still no full explanation of the earlier limitations, but, insofar as they did not arise from the requirements of exchange control, their *raison d'être* lay, probably, in the fact that, in the past, bearer securities might more easily have found their way into enemy control than is now the case.

The Pit Bonus Scheme

A solution of the problem of the substitution of a pit for a district bonus scheme in the coal mining industry has been complicated by questions raised by the Minister of Fuel and Power over the application of important administrative changes suggested by the Greene Board of

Investigation. Under the original district scheme, output adjustments to meet the effects of abnormal but temporary occurrences were made by the Ministry of Fuel, usually at its own discretion, and those of a more permanent character by district reviewing authorities consisting of an independent person and three assessors nominated, respectively, by the Minister, the employers, and the workers. In its recent report, the Greene Board suggested the scrapping of this machinery and the administration of either a pit scheme or a combined scheme through the regional organisation of the Ministry of Fuel and Power.

We are strongly of opinion that the Regional Controller of the Minister of Fuel and Power, acting with two assessors, one appointed by each of the two associations, representing employers and workers respectively, would be the most suitable authority for determining questions relating to adjustments.

The Greene Board reported to the Ministry of Labour as well as to the Ministry of Fuel and Power, and it appears that both these Ministries have doubts about the advisability of the adoption of this new procedure, and they are waiting for the views of the owners and the workmen's leaders before reaching a decision. Meanwhile, the Minister of Fuel has drawn their attention to the "constitutional and other difficulties involved," and has intimated to the Mineworkers' Federation and the Mining Association that he could not ask his controllers to undertake this duty unless there were a definite agreement that the decisions reached by the controllers would be regarded as final and binding, that any questions raised will be referred for settlement "only within the self-contained machinery provided by the output bonus scheme," and that such questions would be regarded as being "entirely outside the jurisdiction of the National Conciliation Scheme or any other procedure relating to the settlement of trade disputes." Clearly, there must be agreement on the procedure to be adopted for taking into account the effect on production of special factors; but it would be ridiculous if the substitution of the pit for the district as the basis of calculating bonuses were delayed by indecision about procedure.

Combined Coal Committee

Not unexpectedly, the demand for coal is growing in the United States as well as in this country. The United States, in spite of its vast oil and hydro-electric resources, is consuming about three times as much coal as Great Britain. Moreover, coal is causing headaches in both countries. A Combined Coal Committee was recently appointed in Washington to consider the coal resources of the United Nations in relation to combined requirements, and plans are being prepared to meet the requirements in the Mediterranean area, and other countries in Europe which are still to be liberated. The United States, it is suggested, is to supply a major part of the coal needs in the Mediterranean area—India and South Africa might possibly contribute—while this country is to supply the needs of North-Western Europe after its liberation. It is well that requirements are to be met jointly by the United States and Great Britain. The aggregate needs in the two areas are likely to be substantial and they can only be met adequately by an expansion of output both in Great Britain and in the United States.

Fisheries After the War

While livestock herds have been seriously depleted in many countries since 1939, fisheries are reported to have been substantially replenished, as during 1914-18, due to the curtailment of fishing. Well-stocked fishing grounds will, therefore, form a valuable reserve after the war, which should be drawn upon heavily until livestock herds are replenished. But this need not involve wasteful fishing, such as the inclusion of young and small fish in the catch, which was practised after the last war. There is, therefore, much to be said for the Government's desire to secure a measure of supervision over fisheries after the war. At its invitation, an international fisheries conference was recently held in London, with the object of drafting a new international convention, embodying, for example, the convention of 1937, which prescribed the use of appropriate nets in order to prevent the catch of young and small fish. Representatives of the Governments of Belgium, Canada, Eire, France, Iceland, Holland, Newfoundland, Norway, Portugal and Spain took part in the conference, which was also

attended, as observers, by delegates from the United States, Denmark and Sweden. The draft convention is to be submitted to the Governments concerned, and it is hoped that it will be given final shape at a further conference. An agreement for the resumption and regulation of whaling has already been concluded between representatives of the British and Norwegian Governments. Moreover, in order to develop the colonial fisheries, the Secretary of State for the Colonies has appointed a Colonial Fisheries Advisory Committee.

The Harvest

The Minister of Agriculture, in a broadcast talk on October 22nd, said:

... we shall, by the end of the year, have gathered the greatest harvest the country has ever known ... from the smallest acreage of land devoted to agriculture known since official records have been kept.

The purpose of the talk was to thank volunteers who helped, and are helping, to gather the harvest, which is estimated to produce one million tons more bread corn than last year's, and an additional quarter of a million tons of potatoes. The contribution of these quantities of food to the war machine can be judged by the fact that the space saved by this extra one and a half million tons is sufficient to ship abroad the equipment of eight to ten divisions. A great debt is owed to volunteer harvesters, but it cannot be overestimated that the appeal for 500,000 volunteers has been answered, although Mr Hudson declared that he has "every reason to believe that we shall get the full half million." He said that 150,000 adults have passed through the standard harvest camps, and 50,000 children have worked from school camps. Potatoes and sugar beet still remain to be harvested, and help is urgently required to harvest these crops. The Minister looked forward to an even larger crop next year, especially in view of the world shortage of food.

Great Universal Explanation

The explanation of the transactions between Great Universal Stores and two of its directors, called for by the Committee of the Stock Exchange, London, in advance of the annual meeting, has now been produced. It will be recalled that the original report stated that large profits

had been made on the sale of certain investments for which the company had paid, in round figures, £550,000. The explanation shows aggregate profits, before deducting certain losses, of just under £150,000, accruing to directors and their families. These were earned on three transactions, of which two produced respectively £33,000 for Mr Wolfson, the managing director, and £111,841 for his wife. The former concerns an investment made ten years ago, and there has to be deducted from the profit interest payments of £14,000. The second Wolfson transaction arose from the desire of the company to take over in April, 1940, a concern which was, evidently, none too prosperous. The Treasury refused consent and Mr Wolfson financed the operation, agreeing that his wife should take over the shares. In all she bought 129,280 6 per cent preference shares of £1 for £44,049 and 165,120 ordinary shares of 5s. for £14,670. In April last the company bought the whole holding at approximately par, thereby giving Mrs. Wolfson a profit of £111,841. The company held, however, an option to resell to her the whole of the preference shares at par, and this option has now been exercised, thereby reducing the profit on the whole operation to £26,610 plus whatever Mrs. Wolfson can obtain for her preference shares in addition to the purchase price. The date at which the option was exercised is not disclosed.

The third operation to yield a profit concerned Mr Sampson, not then a director, who bought an undertaking in February, 1942, for £17,750 and announced his intention of running the concern he had acquired as a competing business on his own account. Mr Sampson eventually decided to remain with the company and sold his investment in December, 1942, including retained profits for that year of £9,596 subject to income tax and NDC, for £27,850. On seven other transactions detailed no profit is shown and some are understood to have resulted in a loss to the vendors, estimated at £23,000. Most of these transactions are expected to result in profits for the company, but it is to be noted that in respect of the operation which was to have yielded Mrs. Wolfson £111,841 the estimated profit to the company during the current year was only £20,000. This has been reduced to £12,250 by the resale of the preference shares. There are other points which call for clarification, but the important aspect of the affair is that shareholders have, thanks to the action of the Committee and the Press, received the account a fortnight before the meeting. Had it been presented at the meeting, as the directors intended, there is very little chance that anyone could have digested it in time to make pertinent inquiries.

NEW MODDERFONTEIN GOLD MINING COMPANY, LTD.

(Incorporated in the Union of South Africa.)
Extracted from the Annual Report for the Year ended 30th June, 1943.
Issued Capital, £1,400,000, in 2,800,000 Shares at 10s. each.

		DIRECTORATE:		R. W. EFFENELL.	
		S. C. BLACK.		R. S. G. STOKES.	
Dr. H. PIROW (Chairman).		G. CARLETON JONES.		JOHN MARTIN.	
MAJOR C. S. GOLDMAN.		Tonnage milled, 2,112,000.			
				Per ton milled	
				£1 0 9	
				0 15 11	
				20 4 10	
				£511,261 2 8	
				231,534 3 0	
				913 9 1	
				£743,708 14 10	

Compared with the estimate made a year previously, the total reserve shows a decrease of 1,332,700 tons, the value being lower by 0.2 dwt. and the width greater by 0.1 inch.
The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4 London-wall-buildings, E.C.2.

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, C46, TUITION HOUSE, London, S.W.19.

Unilever Earnings

In dealing with the accounts of *Lever Brothers and Unilever* on page 474 of *The Economist* of October 2nd, the percentages earned on the ordinary capital for the three years 1940-42 were given as 34.1, 16.7 and 19.6 respectively. These figures are based on the net retained profit of the parent company and ignore sums retained by the subsidiaries, which have always been substantial and have varied considerably from year to year. It has never been clear whether it could be assumed that the amounts so retained were in fact free for distribution if the directors so wished, and, so long as any doubt existed, it was felt better to make the estimate conservative rather than liberal. We are now assured that the amount transferred to the parent is merely the nearest convenient figure which covers the provisions which the board has decided to make in the accounts of the parent, and that every penny of the amounts expressed as being the parent's proportion of undistributed profits retained by subsidiary and allied companies is as much available for the ordinary shareholders of the parent as the sums transferred to it. This being so, it is proposed in future to base the earned percentages on the consolidated profits. This gives gross amounts available equivalent to 47.8 for 1940, 23.7 for 1941 and 33.1 per cent for last year. It may be pointed out that even these large figures are, on the basis of the published accounts, an underestimate. In each of the past two years certain sums were set aside to convert the tax provisions of earlier years from the legal liability to sums covering estimated tax on all earnings to date. It is not possible, on the figures given, to distribute this charge properly, but it is hoped that in future provision for past taxation will be small.

US Banks' Reserves

The most notable feature of the banking position in the United States is the persistent diminution in the margin of excess reserves held by member banks of the Federal Reserve system. On October 14th, this excess over present minimum reserve requirements had fallen to \$1,610 million, a reduction of \$1,100 million from the figure twelve months ago; at their peak towards the end of 1940 these excess reserves were about \$7,000 million. A large factor in this contraction of American banks' cash reserves has been the increased demand for currency which, in the first place, is satisfied by banks drawing on their reserve balances with the Federal Reserve banks. Over the past year, the expansion in Federal Reserve notes has been of the order of \$4,476 million, or 41 per cent. The contracting effect of this on the banks' reserve balances has been heightened by the accompanying reduction in the Reserve banks' holding of gold certificates. This item has fallen by \$692 million to \$19,875 million during the past year, the movement reflecting sales of gold abroad, mainly to South American countries. This double impact on reserve balances has been approximately neutralised by an increase of \$5,252,000,000 in the Federal Reserve banks' holding of US Government securities. The fall in excess reserves is, therefore, a reflection of the increase in the deposits against which member banks have to maintain reserve balances with the Federal Reserve banks. Between the end of June, 1942, and July 21, 1943 (the latest date for which figures are available) the deposits of weekly reporting member banks rose from \$25,878 million to \$30,802 million. Given the persistent expansionist trend in US currency and credit, it seems safe to predict that within a matter of months the margin of member banks' excess reserves will have disappeared. Fortunately there is plenty of slack in the existing reserve requirements. Ever since October, 1942, the percentage reserve requirements against demand deposits have been 20 per cent for both central reserve, and reserve, city banks, and 14 per cent for country banks. These could be reduced to 13, 10 and 7 per cent respectively. Against time deposits a reserve of 6 per cent must now be kept by all member banks. This could be reduced to 3 per cent. Thus, by reducing reserve requirements to the minima demanded by the Federal Reserve Act, member banks could be put in possession of excess reserves at any given moment. That instrument of adjustment is likely to be used in the near future, unless the U.S. authorities prefer the alternative of increasing the Federal Reserve banks' holdings of Government securities, and thus inflating the credit basis.

Group Aircraft Production

Many aircraft of the same type are manufactured by groups of firms. The organisation of the Halifax bomber "group" provides an example of this method of production. This group originated with the manufacture of the Hampden as long ago as 1937/8 by Handley Page, Ltd., and later by a few other firms. The Hampden was replaced by the four-engined heavy bomber Halifax in 1940 and production was greatly enlarged. There are now five companies (this "five" includes Handley Page, Ltd., the parent factory) engaged in its manufacture, each having equal status, with Handley Page, the parent firm, acting as general co-ordinator and central technical body. One of the daughter firms is in itself a composite group of engineering concerns which were formerly engaged on motor and coach body building. Considerable administrative and organisational problems are involved in the growth and operation of such a group, and measures have been taken to bring about liaison between the various units. The parent firm's outside production department was formed in 1940 to deal with the expansion of production; it arranges for key workers to receive training in production methods and inspection—a substantial proportion of the labour in the new factories is inexperienced. It supplies the daughter firms with technical information, drawings, schedules, components, templates and sample parts. No fewer than 15,000 drawings are needed before the 25,000 parts of the Halifax can be made and assembled. The principals in the group meet regularly under the chairmanship of the Director-General of Aircraft Production. There is a Group Materials Committee and a Group Spares Committee to deal with questions of allocations and shortages. The group also has a repair organisation and a service department. It was apparently found more convenient to allow each member of the group to arrange its own sub-contracting than introduce a planned scheme for sub-contracting from a single firm for the group as a whole. The teething troubles of the Halifax group have, in the main, been overcome, and its output record is now satisfactory. The need for constant modifications in design and structure, and new devices to ensure operational supremacy are all the time involving adjustments in production—it is highly desirable that firms should wherever possible follow the example of Sir Stafford Cripps who, in his recent meeting with joint production committees, explained frankly to the workpeople these difficulties of production continuity.

Biscuits

The output of biscuits has been cut by more than half the pre-war tonnage, and the demand does not appear to have lessened. Biscuits have been rationed "on points" since August 23, 1942, and the raising of their points value has never created a situation where they are always available in the shops. The changes which have been made in their points value are given in the accompanying table. Even at the highest value, the relation between demand and supply is such that retailers sell them only to their registered customers, unlike most other points rationed foods which are in the shops in sufficient quantities to be sold to

	POINTS VALUE OF BISCUITS		
	Plain, etc.	Sweet, and Semi-sweet	Chocolate Covered
Aug. 23, 1942	2	4	8
Oct. 18, 1942	1	4	8
June 27, 1943	2	6	12
Sept. 19, 1943	4	8	16

all comers. Instead of raising the points value of biscuits even higher, the Ministry of Food has lowered the value of canned meat of the "Spam" type, to attract points away from biscuits to "Spam." The seeking for biscuits as an outlet for points argues a food position which is good, since in no sense can biscuits provide the basis of a meal in the way that most other points rationed foods can. Biscuit manufacturers are licensed, and those producing more than twelve tons a year are required to be members of the Cake and Biscuit Manufacturers' War Time Alliance, Ltd. About six months ago the production of biscuits was concentrated under a scheme which did not require any firm to close down, but left the trade's labour force less than

(Continued on page 596)

COMPANY MEETINGS

THE UNITED STEEL COMPANIES, LIMITED

PRODUCTION WELL MAINTAINED

SIR WALTER BENTON JONES'S STATEMENT

The annual general meeting of the members of The United Steel Companies, Limited, was held, on Wednesday, the 27th instant, at the Iron and Steel Institute, Grosvenor Gardens, London, S.W., Sir Walter Benton Jones, Bt. (chairman and managing director), presiding.

The secretary (Mr R. Gresham Cooke) read the notice convening the meeting and the report of the auditors.

TIBUTE TO LATE SIR ROBERT HILTON

The chairman said: Ladies and gentlemen, it is with very great regret that I have to record the death of Sir Robert Hilton, which occurred after a very short illness on October 10th. Sir Robert had occupied the position of managing director from his appointment in 1928 until September, 1939, when he retired and was appointed deputy chairman, and he held this office until the end of 1942.

Sir Robert was a man of great energy, imagination and organising ability; he applied himself without stint to helping the company through the difficult times which followed his appointment as managing director and continued for a number of years. He earned the gratitude and respect of all concerned and will long be remembered by those who worked under him, as well as by his colleagues on the board, not only for his ability but also for his sincerity and friendliness.

You have all received the statement which I have made and which has been circulated with the report and accounts. I do not propose to add anything further to it, and it only remains for me to propose that the report and accounts be adopted.

The following is the statement by the chairman which had been circulated with the report and accounts, and was taken as read:—

In following the procedure adopted last year of making a statement to accompany the directors' report to the shareholders, there is little I can add about the operations of the works and mines. In spite of increasing difficulties, production has been well maintained. Again our staff and operatives have shown their willingness to assist in a common cause and their determination to do their best, and again we wish to record our appreciation of their work. Among our employees there is now a large number of women who have come to our aid and have undertaken work of all kinds; we have nothing but praise for their adaptability, constancy and enthusiasm.

ACQUISITION OF ST. HELENS COLLIERY COMPANY

In Cumberland we have acquired the St. Helens Colliery Company, which lies between our new Solway colliery at Workington and our Rishow colliery near Maryport. This acquisition will enable us to work the whole of the large field of coal lying under the sea from Whitehaven to Maryport, a distance of 11½ miles, as a single development. We have also completed the sinking of a new hematite iron ore mine, and it is now producing a regular output of ore. A number of schemes to facilitate essential production have been carried out at the various works.

The report and accounts are in the usual form, including a statement of combined assets and liabilities. In the balance-sheet provision for all tax payable is included

BRISTOL AEROPLANE COMPANY, LIMITED

SPECTACULAR SUCCESSES

The thirty-third ordinary general meeting of The Bristol Aeroplane Company, Limited, was held, on the 25th instant, at Bristol, Mr W. G. Verdon Smith, C.B.E. (the chairman), presiding.

The following are extracts from the chairman's statement circulated with the report and accounts:—

The profit and loss account shows a net balance of £282,290 (compared with £284,869 in 1941). Your attention has previously been drawn to the fact that the available balance bears little relation to the scale of the company's activities, as provision has had to be made for excess profits tax at 100 per cent. and income tax at 10s. in the £, levied on figures which differ considerably from the trading profits by reason of provisions which your board consider advisable to charge in the company's accounts, but are not allowable in full as deductions for taxation purposes. Out of the available balance £100,000 has been transferred to general reserve, £15,000 distributed as dividend for the year on the preference stock and £66,000 as an interim dividend on the ordinary stock. Your directors recommend a final dividend on the ordinary stock of 6 per cent., less income tax.

EXPANSION OF PRODUCTION

During 1942 further expansion of production took place. Factories under the company's management, both owned by the company and managed on behalf of the Ministry of Aircraft Production, were operated to their maximum capacity. Your company's products continued to play a leading part in service with the Royal Air Force and the Fleet Air Arm. In particular, Beaufighters achieved spectacular success in many different rôles, whilst Hurricanes and other types of Bristol engines operated successfully all over the world, proving themselves the equal of all comers in performance and reliability.

The achievements of the aircraft industry during the war constitute a record which is unparalleled in industrial history, and the industry has now settled down to a wartime level of maximum production in relation to the labour resources available.

You will no doubt have observed that your company has been invited to design the large transport aircraft which Lord Brabazon's Committee has recommended to the Government should be used on the transatlantic air services. This project, which is of the very greatest importance in the future programme of Empire air transport, will involve your company's Aircraft Division in extensive research and development. In addition, your company's Engine Division is planning to meet future requirements for all types of power plant, it being fully recognised that important departures in aero engine design are not far distant. Other possible lines of development are also receiving the closest attention.

RESEARCH AND DEVELOPMENT

Your board has always recognised that progress in aircraft and aero engine design will not be achieved without the latest and best equipment and test plant, and for this reason we have for many years past adopted a conservative policy in the distribution of profits. The present burden of taxation is an anachronism in relation to large-scale modern industry in that it has such a seriously limiting effect upon provisions for development. The need for research and development was never greater than it is to-day, and it is of the highest importance that British industry should not be prevented by restrictive taxation from equipping itself for world markets. In the past, and especially in the war, our products have been successful throughout the world on account of their technical superiority, and our first endeavour must be to maintain this lead in the future.

The report was unanimously adopted.

among creditors instead of in the reserve for taxation, so that this reserve is now for the single purpose of covering future taxation on profits not yet brought into assessment. Certain reserves made in previous years to meet unascertained liabilities have proved to be more than was necessary, and the balances not required have been utilised to make additional provision for depreciation and for other purposes.

DIVIDEND OF 8 PER CENT.

The report and accounts were unanimously adopted and a final dividend of 5½ per cent., making with the interim dividend 8 per cent. for the year, less tax, was approved.

The retiring directors, Mr Langton Highton, Mr Peter Lindsay, Mr A. C. Macdiarmid and Mr N. H. Rollason, were re-elected; and the auditors, Messrs Peat, Marwick, Mitchell and Company, re-appointed.

A vote of thanks to the board, staff and operatives concluded the proceedings.

NEEPSSEND STEEL AND TOOL CORPORATION, LIMITED

MR STUART C. GOODWIN'S REVIEW

Mr Stuart C. Goodwin, chairman of the Neepsend Steel and Tool Corporation, Limited, presided at the twenty-third annual general meeting held at the company's offices, Sheffield, on the 27th instant. In his statement, which had been circulated to stockholders, he said, *inter alia*:

On the assets side the total of sundry investments is £344,427, an increase of £63,565 over that of last year. This is accounted for by the purchase of additional investments less certain redemptions. The market values of securities have not depreciated any further and the present reserve more than covers any fall in their values. A further £75,000 has been utilised in the purchase of Tax Reserve Certificates.

Cash at bank and in hand stands at £43,033, which together with £23,221 in the bank and cash accounts of our subsidiary companies makes £66,254, which the directors consider ample.

On the liabilities side there is a net amount of £163,897 of our subsidiary companies' moneys in the hands of the Corporation, an increase of £105,950, which is reflected in the increased investments and Tax Reserve Certificates total. A reduction of £27,377 in the net revenue available for distribution does not in any way reflect a falling off in the earning capacity of the company, but is solely due to the fact that the incidence of 100 per cent. E.P.T. liability now becomes fully apparent.

The consolidated statement shows that reserves, excluding the balances of profit and loss accounts of the subsidiary companies, amount to £216,449, or approximately 64 per cent. of the issued capital of the corporation.

The report and accounts were 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 594)

one-third of its pre-war total. The scheme, as well as releasing factory space, provided for a reduction in output to little more than half its level early in 1942. The output of biscuits was reduced gradually, but has been stable since the introduction of the concentration scheme. The distribution of biscuits was first zoned on June 1, 1942, saving sixteen million ton-miles a year, and 500,000 gallons of petrol, and a more stringent scheme, introduced on June 28, 1943, saved thirty-one million ton-miles. Less than one quarter of the pre-war ton-mileage is now being used for the transport of biscuits. A system of classifying biscuits and maximum prices were introduced on May 4, 1943.

Odeon Correction

In dealing with the figures of Odeon Theatres, on page 502 of *The Economist* of October 9th, it was stated that this concern was a member of the Gaumont-British group under the chairmanship of Mr Arthur Rank. Odeon Theatres state that the first half of this description is entirely inaccurate, although the second half is correct. Strictly speaking, it has always been evident that the means by which Odeon Theatres is controlled is not that of a direct majority share holding, but it is perhaps excusable if "Gaumont-British group" and "chairmanship of Mr Arthur Rank" have become interchangeable terms. *The Economist* has repeatedly urged upon those responsible a clarification of the position, pending its simplification. Until that is provided, while agreeing with the managing director of Odeon Theatres that it has erred, *The Economist* is in a

similar position to the gentleman who, while admitting that the *Iliad* was not by Homer, asserted that it was almost certainly by someone else of the same name.

Company Result

Murex (Metal Manufactures).

	1941	1942	1943
Total profits after depreciation*	587,015	629,368	519,768
Obsolescence reserve	371,750	25,000	25,000
Taxation	5,791	423,250	323,500
Other expenses	1,750	4,174	3,221
Preference dividends (net)		1,750	
Ordinary shares—			
Earned	209,722	175,194	166,297
Paid	100,000	100,000	100,000
Earned %	41.9	35.0	33.3
Paid %	20	20	20
General reserve	106,000	67,000	61,000
Carry forward	107,145	115,339	119,597

Consolidated Balance Sheet

	1941	1942	1943
Net fixed assets	1,155,228	1,187,945	1,183,713
Net inter-company items	28,733	28,733	27,734
Net liquid assets	498,497	58,755	625,027
Gross liquid assets	1,769,280	2,054,319	2,144,732
Stock and work in progress	598,767	920,621	705,729
Tax reserve certificates			250,000

* Including tax-free dividend from subsidiary company of £30,000.
† Including 21% cash bonus.
‡ Including reserves against advances to a subsidiary of £31,000 in 1941, £17,000 in 1942, £11,000 in 1943.
§ After deducting £999 placed to reserve for investments in enemy occupied territory.

RECORDS and STATISTICS

INVESTMENT
Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			50 Ord. shares*	20 Fixed Int.†
Oct. 21	5,467	5,183	104.0	134.1
" 22	5,035	5,527	103.9	134.1
" 25	5,959	7,040	103.6	134.1
" 26	4,761	5,961	103.1	134.1
" 27	4,883	6,073	102.7	134.2

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1943: highest, 196.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.4 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

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

	1943	Low Jan. 6	High July 15	Oct. 6 1943	Oct. 13 1943	Oct. 20 1943
37 Industrials	81.1	103.5	96.4	95.2	97.1	97.1
32 Rails	72.6	99.9	91.2	91.0	92.4	92.4
40 Utilities	67.9	89.6	86.8	86.0	87.0	87.0
419 Stocks	78.5	100.9	94.6	93.5	95.3	95.3
Av. yield %	5.36	4.35	4.69	4.73	4.64	4.64

* 50 Common Stocks. † (at Aug. 25).

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Oct. 14	116.0	474,000	Oct. 18	117.1	541,000
" 15	116.8	556,000	" 19	117.7	608,000
" 16	117.3	267,000†	" 20	118.1	611,000

1943: High, 125.4 (July 14); Low, 90.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending October 30, 1943	Nominal Capital £	Con- versions	New Money £
Particulars of Government issues appear on page 597.			

Year†	Including Conversion	Excluding Conversion
1943	1,421,596,855	1,401,564,596
1942	1,273,736,278	1,244,969,995

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943	1,398,257,892	2,668,427	638,677	1,390,217,590	2,127,701	9,219,705
1942	1,244,129,443	771,147	78,315	1,237,054,767	938,562	6,976,576

* Conversions Excluded. † Includes Government issues to October 19, 1943, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—The clearing banks have been calling funds from the market this week in preparing for their October returns and credit has been in short supply. The previous week's accumulation of funds in Government accounts has, however, been corrected by a reduction in floating debt borrowing. Treasury Deposit calls this week amounting to £15,000,000 only, or some £15,000,000 less than the effective maturities. The market obtained a 41 per cent allotment at last Friday's Treasury bill tender. It was taken up thanks to special assistance in the first part of the week and substantial bill purchases by the banks in the second. The Bank return reveals the wasteful immobilisation of credit consequent upon window dressing in a rise of £49,625,000 to £190,324,000 in bankers' deposits. The counterpart to this is a reduction of £18,232,000 in Public deposits and an increase of £28,100,000 in Government securities, reflecting official assistance to the market and, probably, to the Government. The circulation continues to climb, the past week's jump of £5,032,000 taking the total within £2,000,000 of the £1,000,000,000 mark.

MONEY RATES, LONDON.—The following rates remained unchanged between Oct. 22nd and Oct. 28th:—
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%; 3 months, 1½%; Day-to-day money, ½-1½%. Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½%; at notice ½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Oct. 22nd and Oct. 28th. (Figure in brackets are par of exchange.)

United States. \$ (4.86) 4.02½-03½; mail transfers 4.02½-03½. Canada. \$ (1.36) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.23) 17.30-40. Sweden. Krona (18.15) 11.15-16.85-95. Dutch West Indies. Florin (12.17) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. \$ (4.02) 4.02-04; 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 Offices. Spain. Peseta 40.50 (Official rate). Turkey. Piastres 520. Italy. 71.25 lire. Market Rates.—The following rates remained unchanged between Oct. 22nd and Oct. 28th:

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-1. China. National \$3-3½. 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. Rate for payment into Argentine special account is 16.03 pesos.

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.

NEW YORK EXCHANGE RATES

New York on	Oct. 20	Oct. 21	Oct. 22	Oct. 23	Oct. 25	Oct. 26	Oct. 27
Cables—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	89.750	89.950	89.750	89.750	89.625	89.625	89.680
Zurich	33.25	33.50	33.50	33.40	33.50	33.50	33.50
B. Aires	25.05*	25.05*	25.05*	25.05*	25.05*	25.05*	25.07*
Rio	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Barcelona	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm	23.86	23.86	23.86	23.86	23.86	23.86	23.86

* Official buying rate 29.78.

† Free rate.

‡ Bid.

(Continued on page 600)

GOVERNMENT RETURNS

For the week ended Oct. 23rd, 1943, total ordinary revenue was £44,743,000, against ordinary expenditure of £90,535,000, and issues to sinking funds of £196,630. Thus, including sinking fund allocations of £7,794,860, the deficit accrued since April 1st is £1,797,425,000 against £1,662,352,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to Oct. 24, 1942	April 1 to Oct. 23, 1943	Week ended Oct. 24, 1942	Week ended Oct. 23, 1943
ORDINARY REVENUE					
Income Tax	117,500	309,435	395,769	7,815	12,181
Sur-tax	80,000	14,844	14,824	650	560
Estate, etc.	100,000	52,300	54,234	1,590	1,622
Duties	17,000	7,790	10,550	600	1,000
N.D.C.	500,000	15,495	17,396	590	686
E.P.T.	1,000	184,820	276,189	9,715	9,453
Other Ind. Rev.		280	238	10	10
Total Ind. Rev.	187,300	584,964	769,200	20,960	25,512
Customs	525,320	258,145	303,024	8,666	9,586
Excise	450,180	223,800	251,800	8,300	7,600
Total Customs & Excise	975,500	481,945	554,824	16,966	17,186
Motor Duties	25,000	5,233	4,181	...	...
Canadian Govt. Contribution	...	179,535	...	2,247	...
P.O. (Net Receipts)	400	8,150	...	1,250	...
Wireless Licences	4,700	1,520	1,690	...	...
Crown Lands	800	460	470	...	...
Receipts from Sundry Loans	4,100	1,503	2,287	422	163
Miscellaneous	24,000	60,439	43,182	1,491	1,881
Total Ord. Rev.	2,907,500	3,323,749	3,758,355	43,337	44,743
SELF-BALANCING P.O. & Broadcast	110,632	57,050	59,450	1,350	2,500
Total	3,018,132	3,380,799	3,817,805	44,687	47,243

Expenditure	Estimate 1943-44	April 1 to Oct. 24, 1942	April 1 to Oct. 23, 1943	Week ended Oct. 24, 1942	Week ended Oct. 23, 1943
ORDINARY EXPENDITURE					
At Man. of Nat. Debt	375,000	192,513	220,530	1,213	1,753
Payments to N. Ireland	9,500	4,350	3,676	336	...
Other Cons. Fund Services	7,500	3,947	3,762	226	222
Total	392,000	200,819	227,968	1,774	1,974
Supply Services	5,366,751	2,778,378	2,937,497	97,640	88,560
Total Ord. Exp.	5,758,751	2,979,197	3,165,465	99,414	90,535
SELF-BALANCING P.O. & Broadcast	110,632	57,050	59,450	1,350	2,500
Total	5,869,383	3,036,247	3,224,915	100,764	93,035

A change has been made in the method of showing the excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £3,047 to £2,776,001, the other operations for the week (no longer shown separately) raised the gross National Debt by £6,137,400 to £18,640 million.

NET ISSUES (£ thousands)	
Treasury Trade Guarantees	14
P.O. and Telegraph	150
Damage Act	18
Total	182

FLOATING DEBT
(£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
Oct. 24	990.0	Not available			
1943					
June 19	1110.0	244.4	55.0	925.5	4253.1
July 30	3028.2	Not available			
July 31	1140.0	Not available			
" 10	1155.0	"			
" 17	1155.0	"			
" 24	1170.0	"			
" 31	1170.0	1899.1	309.0	973.5	4351.6
Aug. 7	1170.0	Not available			
" 14	1170.0	"			
" 21	1170.0	"			
" 28	1170.0	1892.4	313.2	1045.0	4420.6
Sept. 4	1170.0	Not available			
" 11	1170.0	"			
" 18	1170.0	"			
" 25	1170.0	3078.8	259.5	1114.5	4452.8
Oct. 9	1170.0	Not available			
" 16	1180.0	"			
" 23	1190.0	"			

TREASURY BILLS
(£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Oct. 23	85.0	172.7	85.0	s. d. 20 0.44	35
1943					
July 2	90.0	173.5	90.0	20 0.37	38
" 9	90.0	180.2	90.0	20 0.28	35
" 16	90.0	175.4	90.0	20 0.00	33
" 23	90.0	164.6	90.0	20 0.9	40
" 30	90.0	182.8	90.0	19 11.91	30
Aug. 6	90.0	182.5	90.0	19 11.95	30
" 13	90.0	175.1	90.0	20 0.42	38
" 20	90.0	194.0	90.0	20 2.93	29
" 27	90.0	200.4	90.0	20 2.40	26
Sept. 3	90.0	193.3	90.0	20 2.57	29
" 10	90.0	188.8	90.0	19 11.10	41
" 17	90.0	183.6	90.0	19 10.97	37
" 24	90.0	188.8	90.0	19 11.98	28
Oct. 1	100.0	199.8	100.0	20 0.36	36
" 8	100.0	196.3	100.0	19 11.95	32
" 15	100.0	181.8	100.0	20 0.62	41

On Oct. 22nd 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. Interest free loans received by the Treasury up to and to about 41 per cent of the amount applied for, and at applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted on Oct. 23rd. For the week ending Oct. 30th, the banks will be asked for Treasury deposits to the maximum amount of £15 millions.

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

(\$ thousands)				
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Aug. 17	5,858	1,415	8,476	15,772
24	5,792	1,329	5,821	14,529
31	5,752	1,340	6,491	29,709
Sept. 7	5,287	1,522	6,334	7,412
14	4,565	1,413	4,772	8,372
21	5,437	1,393	6,272	15,653
28	5,626	1,386	6,597	12,322
Oct. 5	5,453	1,537	7,510	11,514
12	5,080	1,767	6,522	9,425
19	5,055	1,518	4,161	9,785
26	...	...	6,916	6,421
Totals to date.	947,893	633,215	1387,576	6008718

(Continued from page 596)

INDUSTRY AND TRADE

Bulbs Control.—Under the Bulbs (Control) (Revocation) Order, dated October 22, 1943, the Bulbs (Control) Order of 1942 is revoked. "Controlled bulbs," i.e., tulips of all kinds, garden varieties of hyacinths, and Dutch and Spanish irises, may accordingly be sold anywhere in Great Britain and Northern Ireland without it being necessary to obtain a licence for the

n-Drying Efficiency.—With a view to promoting maximum efficiency in kiln-drying, arrangements have been made between Forest Products Research Laboratory, Princes Risborough, and the Timber Control for a qualified specialist officer of the Laboratory to visit owners of timber drying kilns without charge, and to advise them and their operators on special problems.

Candles.—The Board of Trade, in consultation with the "THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Oct. 21, 1943	Oct. 22, 1943	Oct. 25, 1943	Oct. 26, 1943	Oct. 27, 1943
Crops	122.8	122.8	122.8	122.7	122.7
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	149.6	149.6	149.6	149.6	149.6
	Mar. 31, 1937*	Aug. 31, 1939	Oct. 27, 1942	Sept. 27, 1943	Oct. 20, 1943
Crops	147.9	92.2	118.9	122.6	122.8
Raw materials	182.3	182.3	172.7	182.3	182.3
Complete Index	175.1	106.4	143.3	149.5	149.6

* 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 - £3,000,000Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE 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

AGGREGATE ASSETS
at 31st March, 1943
£67,128,395

Established over 80 years

BANK of

NEW ZEALAND
Incorporated with limited liability in New ZealandRepresented 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)

COMPANY requiring investment in ships Mortgages invites applications from accountants. Write Box 119, THE ECONOMIST, Brettenham House, Lancaster Place, W.C.2.

Printed in Great Britain by ST. CLARE'S 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, October 30, 1943.

Central Price Regulation Committee, have made a new Order reducing the manufacturer's and wholesaler's maximum price of candles on sale to a retailer from 51s. to 45s. per case of lbs.; on and after November 26, 1943, the retailer's maximum selling price will be 9d. per lb. instead of 10d. per lb.

Export Licensing.—Under the Export of Goods (Control) (No. 8) Order (S.R. and O. 1943 No. 1476) which comes into force on November 8th, control is extended to cover asbest manufactures; manufactures of vulcanised fibre; napkins (including nursery squares) of all kinds; additional metal goods machinery, radio-communication components and chemicals; and certain colouring matter and flavouring essences. Order also adds Cyrenaica, Saudi Arabia and Tripolitania to the list of countries and territories to which the export of goods is controlled.

COST OF LIVING INDEX
1914=100

First Day of Month	Clothing	Fuel and Light	Other Items	Total
Sept., 1939	162	205-210	180-185	180
" 1940	164	295	212	227
" 1941	166	380-385	228	240
" 1942	160	395-400	240	240
Aug., 1942	160	405	240	240
Sept., " "	160	395-400	240	240
Aug., 1943	167	345	240	198
Sept., " "	166	345	291	198
Oct., " "	168	...	...	195

Source: Ministry of Labour Gazette.

Make contact now

Australasia is now establishing vast new industries and developing the old. Australia's largest and oldest Bank introduce you to this rapidly growing market.

ESTABLISHED 1817. Incorporated in New South Wales with Limited Liability

LONDON OFFICES

E.C.2. 47, Berkeley Square,

OTTOMAN BANK

(Incorporated in Turkey With Limited Liability)

NOTICE IS HEREBY GIVEN THAT, in accordance with Article 29 of the Statutes, the Annual General Meeting of Shareholders will be held on Wednesday, the 17th November, 1943, at the Manchester House, Old Broad Street, London, E.C.2, at 12 noon to receive a report from the Committee, with the accounts for the year ending 31st December, 1942, and to replace the members of the General Committee.

By the 27th Article of the Statutes, the General Meeting of Shareholders possessing at least thirty shares, shall be entitled to form part of the meeting, must deposit their shares at the Chief Office of the Company, Istanbul, or at either of several Branches or Agencies abroad (in London at 26 T. merton Street, E.C.2), ten days at least before the day fixed for the meeting.

W. STEWART MCKIM,

Secretary to the Committee

London, 26th October, 1943.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Canadian Pacific Railway Four per Cent. Consolidated Debenture Stock. New Brunswick Railway Four per Cent. Debenture Stock. Calgary and Edmonton Railway Four per Cent. Debenture Stock. Atlantic and West Railway Four per Cent. 1st Mortgage Redeemable Debenture Stock. In preparation for the payment of the half-year interest payable on the 1st January next, on the above Stocks Transfer Books will be closed on 24th November and will be reopened on 3rd January.—F. J. WHIDDETT, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1, 30th October, 1943.

ECONOMIST, all 1942, part 1943. Offers to Box 52, ECONOMIST, Brettenham House, Lancaster Place, W.C.2.

THE TRADES UNION CONGRESS requires two assistants in the Research and Economic Department. Knowledge of economics and related subjects essential. Salary £50 annum. Further particulars of the appointment may be obtained from The Rt. Hon. Sir Walter Citrine, K.B.E., 1 Union Congress, Transport House, Smith Square, London, W.C.2.

THE
ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5229

REGISTERED AS
A NEWSPAPER

NOVEMBER 13, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

1s. 6d.

Unscrambling Politics - - - 633

The American Temper - - - 634

The Future of France - - - 636

NOTES OF THE WEEK - - - 637

Three Voices; The Air Front; Climax in the East; President Benes's Mission; The Cairo Talks; Reciprocal Aid; Planning for Homes; Folly?; Pay-as-you-Earn Difficulties; End of Amgot; UNRRA Begins Work; Domestic Service in Hospitals; Rewards for Service; Strikes and Authority; Bombs on the Vatican; Hitler Speaks Again; Catering Wages Commission.

AMERICAN SURVEY - - - 642

Thunder of a Distant Boom; The Omens for 1944; The High Price of Coal; Lend-Lease Debt; Shorter Notes.

THE WORLD OVERSEAS - - - 644

Brumaire 18 at Algiers?; Egypt's Financial Position; Eire's Wheat Supplies; Russia at War.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Brumaire 18 at Algiers? - - - 644

The Newspaper Industry - - - 649

Growth of the UKCC - - - 651

THE BUSINESS WORLD

BUSINESS NOTES - - - 652

Railways and Civil Aviation; Gamblers Getting Out; Store Company Prospects; Investments v. TDR; Argentina Repatriates Gold; Gold Sales in India; Second Thoughts in Chemicals; Steel Survey; Three Million Tons of Copper; Mishandled Publicity; Debentures into Ordinary; Argentine Estates Prospects; A Scottish Ordnance Factory; Training for Mechanised Mines; Food Standards; West African Currency; Fruit Production.

COMPANY MEETINGS - - - 659

RECORDS AND STATISTICS - - - 660

Unscrambling Politics

MR CHURCHILL mixes statesmanship and politics in the grand parliamentary manner. His speech at the Mansion House on Tuesday was a sober and stately appreciation of the last grim, costly stage, which has still to come, in the greatest struggle in the history of human conflict; it was also, by implication, the first broadside in an election campaign. On domestic policy, it was, in effect, a forecast of the King's Speech that will soon open a new session of Parliament, probably the last before Germany is beaten, and quite possibly the last before the first post-war general election.

Just as in time of peace, plans for war and measures of defence ought to be in readiness for any sudden emergency, so in time of war we must make sure that confusion and chaos do not follow the victories of the armies or stultify the surrender unexpectedly early by the enemy. I regard it as a definite part of the duty and responsibility of this National Government to have its plans perfected in a vast and practical scheme to make sure that in the years immediately following the war food, work and homes are found for all. . . . They must be prepared now during the war. These plans must be prepared, and they must come into action just like, when war breaks out, general mobilisation is declared. They must come into action as soon as the victory is won.

Mr Churchill's great quality, in office or out, throughout his crowded career, has been his resilience and democratic adaptability. Time and again during the war, he has defied his critics and opponents with complete suc-

cess and then, bowing to popular opinion and right views, he has accepted their recommendations. This has been one secret of his strength as a war leader. These words from his speech might have been taken from any one of a score of articles or speeches reproving his own unwillingness to make positive plans for immediate post-war requirements. It is only a few weeks since he himself said that a wartime Coalition was incapable of making such decisions without the refreshment of a mandate from the people in a new election. He has bowed again; he has recalled from twenty-five years ago the dangers of "leaving a void behind" when the fighting ceases.

It remains to be seen what form his plans will take and how far they will go towards meeting the urgent needs and wishes of the nation. Parliament will reassemble for the new session with two convictions: first, that, in Mr Churchill's own words, "1944 will see the climax of the European war"; and, secondly, that an election will follow soon thereafter. Whether the nation will be ready when the immense tasks of peacetime readjustment start, hard upon the war, depends upon the nature of Mr Churchill's "vast and practical scheme"; so, too, in complicated ways, will depend the fortunes of the parties.

While peace and the election were still remote, it was widely taken for granted, and announced by the leaders of all the parties, that the Coalition would continue for some time after the war. Mr Churchill's view then was that reconstruction was too national in importance and too complicated in execution to be conducted on party

lines. This was never a sound doctrine. It is precisely because reconstruction is so important and so difficult that it should be carried out by the healthful process of that it should be carried out by the healthful process of genuine party politics, with all the issues fairly and fully stated for decision by the electorate. The Prime Minister has now discovered this for himself. He has found the impossibility, even in his solid and united War Cabinet, of reaching a sufficiently high measure of agreement on both principles and details to make the bold decisions required; he has stated the belief that action must be based upon a majority of opinion, and not upon unanimity; and he looks to a prompt general election as soon as practicable to show what the majority wishes. The difficulty is that it is impossible to hold a general election without an opposition. Even in the Khaki Election of 1918, the Liberal and Labour Opposition was vigorous, though soundly beaten. A coalition cannot fight an election without a truce between its wings; but an election in which most returns were unopposed would be a farce. Confronted with this choice between a continuance of coalition and a free election, the majority opinion in both parties seems to be swinging towards an election.

But this puts the Labour Ministers—and, to a lesser degree, the Labour Party—in a painful dilemma. The “vast and practical scheme”—and the winning of the war—will be the banner under which Mr Churchill will contest the election, whatever the composition of his following. It is common ground that the coalition cannot be disrupted while “the most severe and most costly campaign” has still to be fought in Europe. But if Mr Attlee and Mr Morrison, Mr Bevin and Mr Dalton, remain in office and press forward with the implementing of post-war plans, will not their every effort accrue to the credit of Mr Churchill and, through him, of the Conservative Party? Various fancy suggestions for avoiding this dilemma are being put forward. There are even, for example, some who believe it possible to end the party truce without ending the Coalition; but if this were possible at all, it could not last many months. The Prime Minister himself has hinted at another solution—that men of all parties, but independently of their parties, should join him in continuing a National government. But, in substance, this amounts to a suggestion that the Labour Ministers should do what Mr Ramsay MacDonald did in 1931, and the fate of Mr MacDonald is a sufficient deterrent. There was a moment when Mr Churchill had an opportunity to build around himself a new political structure, free of the vested defects of the two major parties and capable of strong and popular government in peace as in war. That was when he became Prime Minister without being a party leader. But he accepted the leadership of the Conservative Party and the opportunity passed. There have been indications recently that he regrets this grievous error; but it cannot at this late date be undone. Whether he has a few Labour supporters or is followed by the whole party, Mr Churchill cannot go to the polls as anything but the leader of the Tories. If anything were needed to confirm that view (which is, in any case, inherent in the nature of party politics), it has been supplied by Mr Churchill's own dogged

obstinacy in obstructing the path of preparation for reconstruction. His opposition have been based on pre-occupation with strategy, but it has looked like Conservative prejudice.

The way by which the Labour Ministers could have escaped from their dilemma—and conceivably still can—is not by any of these shifts and devices. They should have taken care, while doing their duty in the Government, to see that the country got a clear and consistent exposition of Labour's views and policies for the post-war period. It could have been done—for one of them, Mr Morrison, has done it. But he has not been supported; no one knows whether he speaks for the Labour Party as a whole; and what is chiefly visible to the public about the leaders of the Party is their mutual dislike. It is perhaps not quite too late to remedy the defect. But if the Labour Ministers are to convince the country that they are a team; that they are a team that is capable of governing; and that they know what they are after (three separate propositions), they will have to begin at once and work very hard.

It is, of course, far too early to guess what the electorate's verdict would be, if it came to a contested election. The Conservatives would have the enormous prestige of Mr Churchill's name, still further enhanced by victory attained. But against the Conservative Party (in so far as it can be distinguished from the person of its leader) and its now quarter-century-old supremacy, the tide of popular thought and desire would seem to be running very strongly. But can the Labour Party find the men and the measures to catch it at the flood? The time is too short for any other alternative to appear in the election of 1944 or 1945; none of the other parties hopes to win more than a handful of seats. At present the anti-Conservative trend is not visibly complemented by a pro-Labour trend; and until it is, the issue must remain in doubt. Unless and until there is someone to displace him, Mr. Churchill will remain in possession of the field.

This issue is likely to be decided by a mixture between what the Government *does* and what the Labour leaders say. Inevitably, the chances of the Conservatives will be largely determined by the legislative and administrative performance of the Government in the next few months. If the Government's plans turn out to be still as tentative and provisional as they have been during the past twelve months, the sentiment of opposition, and with it the electoral chances of the Labour Party, will gain ground rapidly, however much individual Labour Ministers share in responsibility. And if the Labour leaders can convince the country that they have something more than a collection of outworn slogans to offer by way of policy, they may win the day. But if Mr. Churchill is this time in earnest about “food, work and homes for all,” and if the Labour Party continues to devote more energy to its internal feuds than to its responsibilities to the community, there will be a Conservative triumph at the polls. The position is confused and contradictory. But so are all coalitions; and the problems of unscrambling wartime politics will be no less complex than those of demobilising either the forces or the factories.

The American Temper

THE Moscow Agreements achieved more, overnight, for the internationalists in the United States Senate than they had been able to accomplish for themselves over a period of many months. They had been struggling, with imperfect success, to give the Connally Resolution a more specific meaning than the rather ambiguous generalities of its authors. After the announcement of the results of the Moscow Conference, Article Four of the Agreement was embodied in the resolution almost without dissent, and the whole passed by the emphatic vote of 85 to 5, only 6 senators not being recorded. The Senate is thereby on record as favouring American participation, with other free and sovereign nations, in the establish-

ment of international authority with power to prevent aggression, and as recognising the necessity of a general international organisation for the maintenance of peace.

The vote is very impressive. Moreover, if the Connally and Fulbright resolutions are considered together, one of the most striking facts that emerges is the non-partisan character of the majorities. Among the Democrats in both Houses of Congress, the vote was 244 to 5; the combined Republican vote was 197 to 29. Post-war policy is being studiously excluded from the domestic political arena by the opposition, and that too is an enormous gain. There was a deliberate, and possibly ominous, refusal to allow the Senate resolution to go to the President as a

statement of the Senate's “advice,” and a clear reminder that any treaty to effect the purposes of the resolution could only be made by the advice and consent of the Senate, two-thirds of its members concurring. Nevertheless, the important point is that all but eleven Senators have been impelled by the pressure of public opinion to accept a resolution that is flatly in favour both of an international organisation (the word “an” is important) and of American participation in it. In view of the distance that American opinion has travelled in four years and the speed at which it is still moving, it may well advance further. The President has given every evidence in recent months of avoiding battle, if he possibly can, on all issues of domestic policy in order to increase his chances of succeeding, where Woodrow Wilson failed, in foreign policy. His strategy is succeeding; and most of the credit for the recent votes in Congress rightly belongs to him. One may lament the chaos into which his policy of appeasement is bringing the home front, especially in its economic aspects. But no sane man would have him act any differently. Certainly no sane Englishman would prefer him to put the international settlement into jeopardy by fighting the New Deal battle on the domestic front.

To this generally encouraging picture there is, however, one serious reservation to be made. In the strong tide of sentiment in favour of international collaboration there is an unpleasant, and possibly alarming, cross-current. There has been a distinct recrudescence in recent months of criticism of the conduct and intentions, of the policies and practice, of Great Britain. In part, this is the fruit of the desperation with which the hard and unscrupulous core of the isolationists regard the trend of events, and, as such, comparable to the flood of calumny of Britain with which they tried to obstruct the development of American policy in 1941. But, on the surface at least, the anti-British talk is meeting with a certain response. The sympathy that was felt for Britain in 1940 and 1941 has been replaced by an appreciation of British strength and toughness—and that carries with it a certain wariness lest the subtle and clever Englishman (for in such colours the portrait is still universally painted) may succeed in getting the better of his trusting and unsophisticated partner (another fabulous survival).

The question that any British observer must ask himself is whether this tendency of opinion will prove strong enough or deep enough to obstruct the contrary tendency towards collaboration in a world system—for, of course, there can be no question that the two tendencies are utterly incompatible with each other in the long run. The answer can be given with some confidence, and it is a reassuring answer. The move towards collaboration is a profound change in fundamental conviction. The criticism of Britain is a surface and transitory phenomenon. That it should appear at all in the middle of a desperate war, fought in intimate alliance, can be explained only by an aspect of American public life which Englishmen always

find puzzling and for which they never make sufficient allowance—namely, its all-pervading irresponsibility. No one who plays any part in British public affairs, however small, can fail to be aware of the thread of responsibility that links him to the Cabinet room. But there is only one responsible man in America. No Senator is responsible—in the sense of being answerable, now or in the future, directly or indirectly—for what he says or does. It is, therefore, almost inevitable that British observers should attach to the remarks of American public men far more significance than they deserve. They are a very poor guide to the action that will be taken.

Nevertheless, the situation has two dangers. The first lies precisely in the irritation of the British public. No lion has ever been so tolerant of the twisting of his tail. But the British people are getting tired. They have borne very heavy burdens for four long years, and they are in no mood for badinage. They do not forget that for a year they bore their burdens alone, or that even now their load, though doubtless lighter than that resting on the European Allies, is far heavier than that borne by the American people. There is a limit to the amount of criticism to which they will submit without answering back. And they have material for answering back.

The second danger arises from the position of Mr Wendell Willkie. By present indications, Mr Willkie is likely to get the Republican nomination for the Presidency in 1944. He is not fundamentally anti-British, and has never delivered himself in public of anti-British views (his private utterances are another matter). But two forces are driving him in that direction. The first is the passionate sincerity of his belief in the doctrine of “One World”—that is, of the equal rights of all nations and of all colours—and the curious conviction he holds that British opinion stands in opposition to his view. The second is the necessity he is under of proving that, even in foreign policy, he is different from Mr Roosevelt. In a close electoral campaign, the charge against the President of being under British influence is too full of votes and too difficult of disproof to be neglected. There is a danger lest Mr Willkie's campaign take this turn—and if it is accompanied by some asperities from this side, much harm may be done.

That harm will not, in any case, extend to the fundamental realities. There is no possibility of shaking the bases on which British-American friendship and collaboration rest. There is no likelihood that Britain and America will cease to be the two powers which have more in common than any others in the world. But there is a danger lest the superstructure that could—if the opportunity is fully taken—be built on these foundations in the next few years may be less ample and secure than the wartime success of collaboration would justify. It is a danger that can be guarded against by moderation and responsibility—on both sides of the Atlantic.



HAVE YOU THOUGHT?

This war is being fought to safeguard the future generation.

Have you safeguarded the financial future of your children?

EQUITY & LAW LIFE ASSURANCE SOCIETY
LINCOLN'S INN FIELDS

Temporarily removed to
163/4, STRAND, LONDON, W.C.2

The Future of France

AT the first meetings of the Consultative Assembly at Algiers, deputy after deputy rose, in the wake of General de Gaulle, to express their disappointment at France's exclusion from the proposed London Commission. They echoed his statement that it is France's profound conviction that non-recognition of its interests and its rank would be both an injustice and an error... that any European settlement made without France would not be a good settlement.

This dissatisfaction must not be dismissed as the oversensitiveness of a suffering nation. The issue is deeper than this or that general or passing political manoeuvres. It is France's status, its relations to the other Great Powers and its influence in moulding post-war policy. France is not as strong a power as Russia or America or the British Commonwealth of Nations. But France has been and will be, and in many respects is even to-day, a more potent factor in world affairs than any other of the United Nations save only these three. The disaster of 1940 may possibly have removed France from the very first category; but it has not in any way abridged the French claim to be included whenever more than the three major allies are summoned. Still less has it affected the fact that France is a vital factor in Europe. If the tripartite European Advisory Commission is intended—or if, without the intention, it is allowed—to become both a permanent body and also the chief organ through which decisions on European affairs are reached, then the exclusion of France is not only a humiliation for the French people but also a bad British blunder. If the British are to play a constructive rôle in Europe, they need French collaboration at every stage. The two nations' interests coincide. Both nations need a free and ordered continent and are far more likely to achieve a measure of constructive leadership if their economic, political and moral resources are used jointly. Both would suffer from the division of Europe into uneasy spheres of influence with Germany exploiting the balance. They, more than any other of the Great Powers, need to put an end to that extinction of Europe in men's minds which Hitler's action and Pétain's betrayal have brought about.

After the last war, France was the chief architect of Europe. French statesmen have been criticised for their unrelenting search for security after 1919. It has been said that their attempts to organise the smaller states of Europe, through Little or Balkan Ententes or dual treaty relations with France gave Germany the excuse of encirclement and undermined the League. The criticisms are unjust. France's attempts to underpin the League failed because the general system of security was lacking. Russia was in isolation. The United States had withdrawn. So, to a lesser extent, had Britain. Had the Great Powers provided the underpinning, France's concern with the European nations would not have proved ineffective. So long as the French influence was really active—until the time of the Depression—it was consistently liberal in tendency. The repercussions of economic collapse shattered the Versailles system, but France cannot alone be blamed for not realising the need for constructive economic policies for Europe and the world. None of the Great Powers did so.

This time, it seems possible that the Great Powers will underwrite a framework of security. The danger now is lest the smaller powers should take fright and come to believe that their claims and rights and responsibilities are being left out of account. Europe is not a species of vacuum or no man's land into which anything decided by three wholly or mainly extra-European powers can be projected. In the particular circumstances of the moment, it may be sound policy to confine membership of the European Advisory Commission to America, Britain and Russia. But before decisions are taken, the other European members of the United Nations must be consulted. At their head stands France. To bring France into consultation, wherever that proves possible, would be not only a perfectly justifiable recognition of France's own

status but a reassuring gesture to all the nations of Europe. France can be the spokesman of the European community in a far more direct and effective way than either Britain or Russia. It is not so overwhelmingly strong that the other nations need fear its military power. Nor will they fear to be ruined by the pressure of its economic competition. This cannot be said of either Russia or the Western democracies.

Yet all the advocacy for France on the part of the other nations will make not a jot of difference if France itself does not emerge from this struggle in a fit state to exercise leadership. After this war, Europe will be politically, economically and morally shattered. The restoration of a functioning European system is naturally France's first interest, but the nation's ability to make a constructive contribution will depend upon the policies it adopts itself. In the economic sphere, Europe needs at the international level to find a way out of the impasse of economic nationalism, and at the national level, an escape from the stultifying struggle between planning and *laissez faire*. In the political sphere, the European peoples are crying out for deliverance from the tyranny of militarist authoritarian systems based on the support of a mass party and the terror of a secret police. Morally they need, above all, to pass beyond the bitter hatreds and passions which Nazi occupation and quisling co-operation have left behind. These are the minimum terms of a new Europe.

To what extent can France give the kind of leadership that is needed with such urgency? After the recent reshuffle at Algiers (which is discussed in greater detail on page 644) it is clear that the National Committee of Liberation will have a preponderant part in moulding post-war France. In "excellent spirits," General de Gaulle has referred to himself as "*chef de gouvernement*" and it is on his record and the record of the Committee that one must judge the likely trend of French development. Frankly, it is not very reassuring. In the economic sphere, it is true that there is apparently considerable popularity inside France for making use of the unifying tendencies of the Nazi war economy and of such organisations as UNRRA to create a more unified and co-operative European system. This idea has been expounded by the *Comité Général d'Etudes*, the research organisation of the Underground. It is also possible that General de Gaulle's reference in his speech at the opening of the Consultative Assembly to the exercise of national sovereignty "untrammelled by the pressure or corrupt intrigues of coalitions and private interests" may finally end up in a proper balance between state authority and private enterprise. But in the social and political field, the outlook is dark. The insistence in Algiers on purging and the rising ferocity of the clamour for the death sentence for "traitors" bode very ill indeed for the restoration of tranquillity and tolerance in post-war France. In the political sphere, it is still impossible to say which of two tendencies—the Gaulliste tendency towards an authoritarian Fourth Republic—and the tendency towards a reformed but substantially restored Third Republic will win the day. In the reaction of party leaders and groups it is possible to see how strong is France's attachment to the traditions of political freedom. But the tone of General de Gaulle's references to the Third Republic, in which he seemed to dismiss it as the *ancien régime* suggest that his own and the Committee's views on restoring republican traditions must be understood in a very equivocal sense.

France's future greatness depends only in part on the readiness of the other Great Powers to recognise its status. It depends far more on the kind of France that emerges from the war. It is a fundamental British interest to work with France and to insist on France being consulted when the fate of Europe is decided, but no amount of British backing and co-operation would increase France's standing if its postwar regime were an untimely reproduction of those very political systems the war has been fought to destroy.

NOTES OF THE WEEK

Three Voices

Stalin, Hitler and Churchill have all spoken to their countries and the world during the past seven days. Never in speechmakers have differed more in dress and discourse—the Marshal in his fine new uniform, at the workaday Moscow Soviet; the Führer in creased and crumpled Nazi outfit at the furtive Munich beer-hall; the Prime Minister dressed at the Mansion House as City men dress, war or no war. In Moscow there were many more uniforms than formerly, in London fewer, with the Mayoral panoply cut down to austerity dimensions. In Munich all the decade-old uniforms were still there, tawdry badges of adventurers despairing and defeated. The speeches themselves (discussed on pages 633, 641 and 648) mirrored the war in sharp outline even more than the garb and the scene—Russia triumphant, warlike, national but Socialist still; Germany in retreat, gloomy and mystically frenzied; Britain resolved, confident and half aware of the morning after victory, now assured.

The Air Front

Marshal Stalin has paid tribute to the effectiveness of the Anglo-American bombing of Germany; and Mr Churchill, at the Mansion House, laid stress on its unique rôle in wrecking German war economy and shredding German morale. Air Marshal Harris, of Bomber Command, stated the goal of the bombing in a speech last Saturday:

We propose to emasculate entirely every centre of enemy production, forty of which are centres vital to his war effort, and fifty that can be termed considerably important.

The process is "well on its way"; three million able-bodied men are engaged on defence and repair in Germany, and, calculates Air Marshal Harris, every ton of bombs dropped will save the lives of ten British or American soldiers in the final invasion. It is no longer the view, apparently, that bombing alone will do. The Prime Minister spoke on Tuesday of the biggest and bloodiest battles of the war, outside of Russia, still to come in Western Europe. The suggestion that the strategy is to try for victory through air power, with invasion as an alternative, is not borne out either by the facts of the bombing offensive or the speeches. The aim is rather to render the enemy, wounded almost mortally by the blows of the Red Army, incapable of resisting attack in the west. The problem is entirely one of timing. The economy of lives given by bombing has to be related to casualties, civilian as well as military, in the occupied countries as well as on the eastern front; and the bombing programme must be directly related to the means proposed, by sea and land, to translate its effects into a decisive military success as soon as possible. Bombing in Allied hands has become the most dreadful and devastating weapon in history, and the published records of factories destroyed give no conception of the ruin done to life and all aspects of living in Germany. Britain's ordeal in 1940, the experts say, was slight in comparison; it is the people of Germany who have "taken it." The justification will be, must be, the quickest possible end to the war in Europe.

Climax in the East

The recapture of Kiev by the Russians marks the climax of the campaign in the east. In relation to the western Ukraine, Kiev stands like Kharkov to the eastern Ukraine. It commands the way to the Polish frontiers, and serves the Russians as an ideal base for a series of alternative thrusts. Fortunately German demolitions in the Ukrainian capital proved less heavy than was originally feared. The enemy here was threatened by a surprise encirclement from the north and west, and he evacuated the city without being able to wreak too much destruction. Kiev has been the most invaded city in the history of the Ukraine; and in every invasion the recapture of Kiev invariably opened the final stage in the clearing of the whole

country. The last invasion of Kiev was by Marshal Pilsudski's armies in 1920, and the Polish retreat from Kiev to Warsaw then lasted only a couple of weeks. Probably no such pace can be expected now, but the speed of the present Russian advance towards Zhitomir, Korosten, and Vinnitza is equal to the greatest ever attained during the entire pursuit from Stalingrad and the Caucasus. The Germans are still holding out far to the south east, inside the Dnieper bend and in the Crimea. Their chances of restoring their positions there have been reduced almost to nothing by the fall of Kiev. The purpose of their tenacious and prolonged resistance can perhaps be explained as part of their delaying tactics, which may aim at pinning down considerable Soviet forces, and gaining time for the main German forces to organise their defence somewhere farther to the west. During the first phase of the war, the Russians used similar tactics when they left the Bialystok pocket far behind their retreating armies; and the reward was then substantial. Can the German High Command still hope for a similar reward? The Germans themselves seem to have replied to this question in the negative; they have admitted that all along the front they are confronted with overwhelmingly superior forces.

President Benes's Mission

After long preparations and delays President Benes is leaving for Moscow. Officially, his purpose is to conclude a military alliance between Czechoslovakia and Russia, on the lines of the British-Soviet Treaty of May, 1942. Dr Benes's mission raises important political issues which bear upon the post-war settlement in eastern and central Europe. During all of his political career up to Munich he was by far the most western-minded statesman in that part of Europe. Now he has radically changed his orientation. He looks east rather than west. Memories of Munich may, in part account for this. Opinion in Bohemia appears to be convinced that Russia was prepared to rescue Czechoslovak independence in 1938 but was prevented from doing so by the attitude of the Western Powers. More decisive factors in determining the Czechoslovak attitude, however, are the geographical proximity of Russia and Soviet military predominance in the area of Europe with which Czechoslovak interests are most closely connected. Dr Benes takes it for granted that, in a sense, Czechoslovakia belongs to the Russian sphere of influence. The reconstitution of Czechoslovakia in its pre-war shape will not be easy; Russian influence may be instrumental in re-uniting the various nationalities of the republic; and the relations between Czechs and Poles depend entirely on Polish-Russian relations. Negotiations of the Polish-Czech federation were "suspended" on the morrow of the "suspension" of Polish-Soviet diplomatic relations last spring. The Czech-Soviet Alliance, it is said, will provide for the adherence of any other state. For the Poles this provision is, of necessity, unreal as long as their frontier dispute with

Every facility for
BANKING
business on
SWEDEN

**SKANDINAVISKA
BANKEN**

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

Russia is not settled. The alternative to a triple Russo - Polish - Czech agreement may be the now discussed Danubian federation. The idea of such a federation finds considerable response among the Czechs. Economically, Czechoslovakia would be the strongest industrial partner among the Danubian states, despite the intensified wartime industrialisation of both Austria and Hungary; and a federation would provide markets for Czech industries, whereas a Polish-Czech federation might give rise to more industrial and agricultural competition. Even so, a federation without Poland would from the start suffer from important political handicaps; and it still remains to be seen whether Russia would take a more favourable view of a Danubian federation than of a Polish-Czech federation.

The Cairo Talks

For the last year Turkish policy has been dominated by two fears, fear of becoming involved in the war and fear of being left out of the peace. The two trends cannot be reconciled, for a place at the peace table is presumably only earned by some concrete contribution to victory; and such a contribution, to have any weight at all, must entail some risk of reprisals. There is no point, however careful the diplomacy, at which a nation can enter a war with enough military effect to earn it post-war influence, yet with so little military risk that no damage is incurred. In the spring of this year, when the Anglo-American offensive in the Mediterranean was being mounted and the Russians had pushed forward as far as Kharkov, Turkish policy, hitherto pro-Ally in colouring, though neutral in content, took a plunge towards complete neutrality. Propaganda offices were closed down, foreign papers banned, comment on both sides was frigid and correct. This stiffening was probably due to the fear that, now the tide was turning in the Allies' favour, Turkey might be called upon to join in. The show of neutrality was a warning that, in spite of Allied supplies, in spite of Mr Churchill's visit to Adana, Turkey was not going to risk becoming involved in the war. Since then, the tide of victory has flowed so fast in the Allies' favour that the worth of any possible Turkish contribution has been very considerably lessened. It is a question of military expediency. Would the use, say, of Turkish airfields offset the possible disadvantage of having to reinforce the Turkish army against a German thrust? If the answer is yes, then presumably Mr Eden made it clear to Mr Menemjoglu at Cairo that the time to implement the Alliance had at last come. If not, then Turkey's last chance of making an effective contribution has passed, and with it the likelihood that the Turks will have in future either the influence or the degree of economic assistance they have enjoyed in recent years. President Inonu's statement that "we want civilisation and humanity to be victors in this struggle," that "Turkey has kept faith in liberty when all the world had given it up," and that "she is prepared to make still greater sacrifices to this cause" may mean that the Turkish Government does intend more active participation. On the other hand, the tone of the Turkish press comments on the Moscow Conference was very reserved.

Reciprocal Aid

The Government's "Report on Mutual Aid," which was issued simultaneously in London and Washington on Thursday, is an attempt to give some quantitative form to the fact of "British Lend-Lease." That the report has been so long delayed is mainly due to the dilemma from which the present Report admittedly suffers—that so much of the British contribution to the war effort of the United Nations does not lend itself to any measurement, least of all in monetary terms. There are two main reasons for this. First, an important part of the British contribution (apart altogether from the contribution, on which all the rest is based, of standing alone in the breach) has been in the provision of experience and information. As the Report very temperately remarks,

This is not a service which can be valued in money, but it has cost more in blood and effort than most aid, since its value to the recipients lies in the fact that it is the fruit of battle experience.

Secondly, a very large part of the more tangible aid is not in fact valued or recorded. American lend-lease consists very largely of goods, ordered on bulk contracts, and passing through the ports where they can be counted, valued and recorded. British lend-lease consists largely of services,

rendered in small units over an enormously dispersed area. Even in the United Kingdom, no attempt is made to record every item, since this "would involve a misuse of manpower which could not be tolerated at the present stage of the war," and in the battle areas detailed accountancy would be even more absurd. The figures that are presented in the Report are therefore most incomplete. Moreover, in comparisons with the United States, it should also be remembered that American costs of production exceed the British, on the average, "by more than 50 per cent."

When these qualifications are borne in mind, the figures are very impressive. A further account of them will be given in *The Economist* next week, and for the moment it must be sufficient to give a few of the totals. The recorded part of the aid given to American forces in the United Kingdom in the year ended June 30, 1943, amounted to £816 million. This excludes all reciprocal aid to American forces in overseas theatres of war, and supplies of raw materials, etc., which are only recently supplied on lend-lease terms. Aid to Russia amounted to £179 million up to June 30th last, and aid to other Allies had reached £186 million by December 31, 1942. In addition, British expenditure in overseas territories (for such things as the pay of troops and cash expenditure on military operations and supplies) had, by the middle of 1943, reached the enormous sum of £2,250 millions in excess of sums received from these countries. Here, then, are four figures none of which is complete or strictly comparable with the others. The sum of them—namely, £2,831 million—is certainly a wide under-estimate of the external war effort of the United Kingdom. As the Report remarks, the total war efforts of the nations are not to be measured by the size of their external fractions (as witness the fact that the Russian effort outside the borders of the USSR is very small indeed). Nevertheless, if comparisons are to be made, the Report concludes with the most embracing that is possible.

In the President's Report to the Congress of May 25, 1943, he gave figures to show that lend-lease expenditures up to that date made up 12 per cent of America's total war expenditure. The proportion of British war expenditure currently devoted to mutual aid is 10 per cent.

Planning for Homes

The campaign in Parliament for statutory action to make possible the planned control of building and land-use has been stimulated by the Prime Minister's open confession of the need for a "vast and practical scheme" for "food, homes and work." Lord Balfour of Burleigh in the Lords and Mr John Parker in the Commons returned to the charge this week with new heart, and the Government's response was, perhaps, not entirely discouraging. The acceptance, in principle, of Lord Balfour's demand for early legislation to permit the prompt acquisition of reconstruction areas "at prices related to pre-war values" merely repeated many earlier pledges; but the impression is that this obvious and essential measure, in itself non-committal with regard to the larger issues of national planning, will soon be made law at last. Lord Balfour's balanced and persuasive speech also drew an admission from Lord Snell that "the Government accepts the principle of national planning without qualification" and the Barlow Commission's planning proposals with qualifications—again not news but welcome hearing to many who feared that the pigeon-hole had triumphed. Mr Parker asked on Wednesday whether the vesting in the state of the rights of development in all land outside built-up areas (proposed by the Uthwatt Committee) was "barred as a possible subject of legislation by the present Parliament," because of its controversial character; and the Prime Minister answered simply "No, sir." Mr Churchill will find it hard to resist these pressures after his Guildhall speech; if nothing is done, he will be condemned out of his own mouth.

Folly?

Sir Walter Citrine was echoing the sentiments of many people when he told a trades council conference at the week-end that he regarded it as the "height of folly" that millions of people should be called out night after night after a hard day's work and compelled to firewatch. Home Guard duties he similarly disposed of as "senseless drills." There can be no doubt that both fire guard and Home Guard duties are at the worst a serious hardship and at the very least a constant source of irritation. But can they be relaxed? So far as firewatching is concerned, many people think that, in short sharp fire raids on the scale

inflicted by the RAF, firewatchers will be useless; it will be a case of taking cover while the raid is on, and then leaving everything to the National Fire Service. Sir Walter Citrine, with his usual air of authority, says that the Germans are not capable of inflicting large-scale raids. But it does not follow that they cannot return to fire-raiding. Mark 1940-41, and an official announcement to the effect that firewatching could be relaxed would be an invitation to them to do so. The Home Guard is in a somewhat different category. When the second front starts, the defence of this country will rest entirely upon its members, so that the need for it cannot be called in question. On the other hand, its duties impose a far more serious hardship than firewatching, which, in the absence of an alert, at least allows a person a night's sleep, and does not encroach unduly on his leisure time. Would it not be possible to give the Home Guard shorter and more intensive training, with periodic refresher courses, and then allow them to forgo the week-end parades and drills? The question of how much the country should insure for in home and civil defence is a difficult one to decide. If the Government, with its superior knowledge—even to Sir Walter Citrine's—of what possible surprises the Germans may have in store, decides that firewatching and Home Guard duties are still essential, then they must be undertaken with the "efficiency and devotion" for which Mr Churchill called this week. But those on whom the obligations are imposed have a right to expect that their spells of duty should not be spent in any irrelevant exercises and vigils.

Pay-as-you-earn Difficulties

The general welcome rightly given to the Government's conversion to complete "pay-as-you-earn" has been tempered, in the course of further reflection, by a juster appreciation of the difficulties involved. In the Lords debate on the Bill last week, several speakers, especially Lord Perry, protested against the enormous burden of computation that is to be laid on the shoulders of employers. The Lord Chancellor, with his confirmation that the tax tables, of which half a million copies are to be distributed, will be "rather like a telephone book" (he presumably meant both sections of the London directory), did not allay this anxiety. Indeed, it cannot be allayed. Only a very small fraction of the employers of the country have yet realised what they have been let in for, and they are aghast. When the majority realise the burdens involved—that is, when the scheme is due to start next April—there will be an explosion, and what its consequences will be it is impossible to predict. That is, of course, an objection to the particular scheme evolved by the Inland Revenue rather than to the principle of "pay-as-you-earn."

Another cause of disquiet is the character of the Exchequer's forecast that, as a safeguard against evasion, an extra assessment will be levied on any increase in remuneration in 1943-44 over the previous year. The objection to this is twofold. First, it is illogical. What will happen when "pay-as-you-earn" starts in April 1944 is substantially this: in respect of the year 1944-45, the taxpayer will be assessed on his earned income in 1944-45 and not (as the present law would require) on his earned income in 1943-44. (There is also a change in the period of collection—as distinct from the basis of assessment—but that is not relevant to the immediate point). It follows that if the taxpayer derives any unearned benefit from this change, whether by deliberate evasion or by way of windfall, it must arise out of the relationship between his income in these two years. Only if his earned income in 1943-44 is (or can be made) higher than his earned income in 1944-45, will he escape any taxation or pay less in 1944-45 than he would otherwise have done. The year 1942-43 is without any relevance to the problem at all; yet it is by reference to this irrelevant year that the Chancellor is proposing to levy his additional assessment. If the point were merely one of logic, it might perhaps be overcome by practical considerations. But there is also, secondly, the risk of grave injustice. This can be seen by taking the case of a man who, in the normal course of events, received an increase in salary in the course of 1943-44. Under the Chancellor's proposals, as roughly outlined in his speech last week, such a man will not only have to begin paying tax at the higher rate appropriate to his higher salary seven months earlier than under the present dispensation (i.e., in April instead of November 1944), but he will also have an additional assessment levied against him

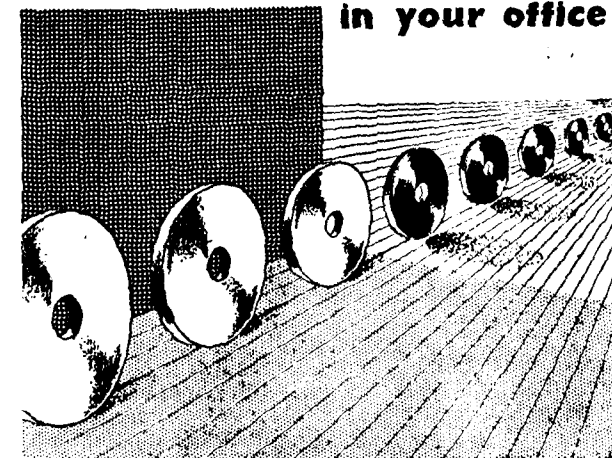
in respect of his increased income in 1943-44. How serious this might be can be illustrated by a particular example of a married man with two children whose salary was raised in April 1943 from £600 to £800 a year. In the nineteen months from April 1944 to October 1945, this man would, under present legislation, pay £285 in income tax. Under "pay-as-you-earn" he would apparently pay £424 in the same period. Nor is this likely to be an unusual case, since 1943-44 has been a period of rising incomes. It is surely wrong that ten innocent men should suffer in the attempt to catch one evader.

In any case, the remedy is simple. For the class of evader mentioned by the Chancellor of the Exchequer (the man who is able to shift part of his income in 1943-44 from Schedule D into Schedule E), it could be provided that where the increase in Schedule E income in 1943-44 exceeds the increase in total income in that year, an additional assessment would be levied on the difference. That would not catch the evader who is able to bring his earned income forward into 1943-44 (e.g. by getting large advances on salary). But the way to catch him is by taxing the excess of 1943-44 earned income over that of 1944-45—though to do so would again penalise those whose incomes fell between the two years not through evasion but through bad luck. In no case should 1942-43 be brought into question. To make the comparison with 1944-45 means that the Inland Revenue may have to wait two years before the transition problems are liquidated. But this would be a small price to pay for the avoidance of injustice.

End of Amgot

The constitutional problem in Italy is still unsolved. The King has not abdicated, and Badoglio as a result has still to broaden the basis of his Government. Meanwhile General Eisenhower has cleared up some of the uncertainties relating to Amgot, or Allied Military Government of Occupied Territory (AMG for short) as it is now to be called. Immediate administration behind the advancing armies will be entrusted to AMG, but as soon as possible will be

You can't afford FRICTION in your office



There will be no latitude for friction in post-war business. Drawers and doors that are stiff and stick mean a loss of temper and time. Ball and roller-bearing steel furniture is the answer. ●Sankey-Sheldon will have a range of steel business furniture to offer you after the war—furniture that will add to the strength and efficiency of steel a new comfort and elegance. New contours, new colourings and warm coverings will give your office a new note of functional beauty to tone with the times.

SANKEY-SHELDON
STEEL FURNITURE & EQUIPMENT
Chief Office: 46 Cannon Street, London, E.C.4

Also Harris & Sheldon Ltd. Makers of Shops

transferred to the local Italian authorities. However, this will not mean unrestricted Italian control, for a wider body has now been set up, Anglo-American and military in composition. This Allied Control Commission will supervise all Italian administration, and ensure that the armistice conditions are loyally fulfilled, that Italy's entire resources are thrown into the fight against the Nazis. This is the complete picture of military control. Non-military matters will be referred to the Advisory Council for Italy, on which representatives of the three Great Powers, of the French National Committee, and later of Greece and Yugoslavia will sit. Its task is apparently to "make recommendations to co-ordinate Allied policy with regard to Italy." These recommendations are not necessarily binding, and, for the present, military considerations must prevail. The important thing now is internally to hasten the process of broadening Badoglio's Government and, externally, to create a working partnership on the Council effective enough to be carried over in spirit to the far more difficult problem of occupied Germany.

* * *

UNRRA Begins Work

The formal setting up of the United Nations Relief and Rehabilitation Administration is a milestone in the working out of joint post-war policy. This is the first piece of executive machinery to be established, and although it deals with a limited and practical field of action—the immediate relief of post-war needs—its structure, perhaps, reflects the general pattern of post-war co-operation. The Central Committee consists of the four Great Powers with authority to take decisions through a Director-General—Mr Herbert Lehman will probably be appointed to this post—subject to approval by a general assembly, or Council, of all the participating Powers. The Council will work through a number of sub-committees—for example, on supplies, representing the principal supplying nations—and through regional Councils, for Europe and the Far East. This inclusion in the structure of UNRRA of the regional principle and the concerting of relief plans on a regional basis can have a revolutionary effect on post-war economic policy. So far, however, very little ground has been covered. The whole organisation has still to be set up and this will be the first work of the Conference at Atlantic City. Colonel Llewellyn is the British representative on the Central Committee with Sir Frederick Leith Ross as alternate. Mr Dean Acheson and Mr Francis Sayre are the American delegates. The small amount of preliminary work accomplished by the Allied Post-war Requirements Bureau and the Relief Department of the Foreign Office has already established two chief obstacles to the smooth working of UNRRA. One is on the side of the consumers. Some nations have gold or other reserves. Some have none. Is need or purchasing power to be accepted as the criterion of priority? Can competitive bargaining for supplies be avoided? Can the wealthier nations be persuaded, in the interests of the general European community, to take less than they could afford, under ordinary market conditions, to buy? The other great difficulty is on the side of supply. Mr Walter Lippmann has been provided with some interesting preliminary bulk estimates of need and of the services of supply. According to him, Europe will need 46 million tons of supplies, of which 23 millions can come from Europe itself, 9,500,000 from North America, 3,500,000 from the United Kingdom, 6,000,000 from the Mediterranean, and 4,000,000 from the rest of the world. Yet the truth is that by the end of the war there will be only relatively small reserves left for relief. Lord Woolton has reminded Britain that "we are running into a world food shortage." Coal is already insufficient for the needs of Britain and the United States. The Board of Trade has stated that there are no stocks of consumers' goods in this country. Until demobilisation, the situation cannot get better and will probably get worse. It is a question of spreading evenly and fairly a very thin layer of essential supplies.

* * *

Domestic Service in Hospitals

Before the recruiting campaign for nurses was launched at the beginning of this year, it was estimated that 10,000 additional nurses were needed. No estimate has been made of the shortage of domestic staff in hospitals, but it is equally serious and, moreover, it intensifies the shortage of nurses, for it means that the latter have to perform an

excessive amount of non-nursing duties—which again acts as a deterrent to recruitment to the nursing profession. Hitherto, the Minister of Labour has found it impossible to take effective steps to remedy the shortage of domestic staff—that is, to use his powers of direction—because of the absence of recognised rates of pay and conditions of service in a large part of the field of institutional domestic service, a problem similar to that of staffing industrial canteens without set hours of work and remuneration. The Hetherington Committee has now recommended uniform rates of pay for manual domestic work in the school meals service, and in hospitals and institutions, where no agreements are already in operation. Mr Bevin has accepted the recommendations. For cooks and assistant cooks in the school meals service, the rate is to be 1s. 4d. and 1s. 2½d. an hour respectively, and for general maids 1s. 2d. an hour or £2 12s. 6d. for a regular working week of 48 hours. In hospitals and establishments for the care of the sick, aged and disabled and young children, the resident wages of a cook are to be £100 a year; of an assistant cook £86; of special maids £80; of general maids £60 rising to £73 after two years' experience; and of maids aged 15-18 £26 to £45. An addition of £70 a year is made to the wages of non-resident workers over 18. It is interesting to compare these proposed wages with those adopted for nurses under the Rushcliffe scale. A cook, for instance, will receive as much as a staff nurse receives in her first year after registration—and, incidentally, as much as a newly qualified doctor receives for a "house" job. Assistant cooks, special maids and general maids will all receive more than a probationer, who starts at £40 at the age of 18 and rises to £60-£70 after three or four years respectively. A maid of 17 will, in fact, receive £5 a year more than the probationer of 18. It is true that a probationer is paid while she is being trained for a skilled profession, at the top of which, as matron of a big hospital, she may receive as much as £700 a year (resident); moreover, the emoluments received by nurses are given a higher value than those received by the domestic staff, nor do the latter come under a superannuation scheme. But, from the point of view of attracting recruits into the nursing profession, the comparative rates of pay for domestic workers and the junior ranks of nurses should be borne in mind.

* * *

Rewards for Service

The National Union of Teachers has estimated that at least 85,000 more teachers in schools will be needed after the war, its estimate being about half-way between the official estimate of 70,000 and the British Association Committee's estimate. To find them, it recommends that men and women now in the Forces should be invited to train, which is, indeed, the Board of Education's policy. But men and women will not be attracted into the profession unless it is made financially more worth their while than it is at present. Sir Richard Livingstone points out in a letter to *The Times* that the maximum to which a secondary school teacher outside London can rise under the Burnham scale is £480 a year. For women it is less. This is a poor prospect for the person of intelligence and personality who is wanted for the teaching profession, particularly for the mature and experienced members of the Services. Clearly, before a recruiting campaign for teachers is undertaken seriously, the Burnham Scale must be drastically revised to provide for a higher maximum, which should be reached much earlier in a teacher's career than at present. A strange contrast is being established during the war between the rates of pay for those who can be directed into a national service and those who cannot. In the former case, for instance, in the catering trades and institutional domestic service, Mr Bevin, rightly, sees that the rates of pay are adequate and just before he uses his powers of direction. But in those forms of national service which must rely on voluntary recruitment—they cover all the professions—there is official apathy on the question of pay, though recruits are no less urgently wanted. It has taken years of agitation for nurses' salaries to be revised. The Burnham Scale for teachers was never, even in the twenties, attractive enough, apart from its illogical distinctions between the sexes, different localities and different forms of teaching. It is small wonder, therefore, that the medical profession is anxious lest, if it is placed on a salaried basis, persons of enterprise and skill should be deterred from entering it. In any revision of the rewards for service, the claims of the professions should not lag behind.

Strikes and Authority

The stoppage of Scottish aero-engine workers came to an end on Monday, and the 24,000 strikers have gained nothing by their action. This emphasises the pointlessness of this and other strikes. There was very little enthusiasm among the strikers, and it seems that war fatigue and lack of interest played a large part. The Minister of Labour did not intervene, except to send a telegram, in reply to an appeal from the shop stewards, urging the strikers to return to work. The negotiations, which had been started and broken off, have been resumed, and the grievance, which is a real one—the non-payment of "the rate for the job"—may now be settled by constitutional means. One factor in these strikes, which although not their initial cause at any rate prevents a speedy solution, is the slowness of the present negotiating machinery, which was set up before the last war. At last week's special conference of the Amalgamated Engineering Union, the need for speeding up the negotiating machinery and bringing it up to date was stressed by the President, Mr Jack Tanner. Another outcome of this conference may be the appointment by the Union of more full-time officials and organisers, in order to cope with vastly increased membership—now nearly a million strong. A great part of the present membership consists of new war entrants, who have no previous experience of industry or of trade unionism, and it is, perhaps, not surprising that they should not be very amenable to trade union discipline. It is obvious that trade union authority cannot be imposed from outside; it must come from within. It is also obvious that merely exhorting strikers and reproaching them with unpatriotism and complacency is ineffectual. Perhaps a national conference, and a lead by the Trades Union Congress, might straighten the tangle.

* * *

Bombs on the Vatican

The Vatican has been bombed by an unidentified aircraft which, diving from a considerable height, dropped a few bombs on the Vatican City in such a way as to kill nobody and do remarkably little damage. Since only the Germans have any interest in bombing the Vatican, presumably the Germans did it, and the whole apparently pointless affair is a useful reminder that they intend to exploit the position of the Pope and of Rome in order to get what propaganda value they can from the explosive emotional forces which the subject of either Rome or the Pope can release. With the city itself, it is the problem of the Germans using their hold on it to delay the Allies' advance and place them in the awkward dilemma of having to put military considerations before their respect for the Eternal City. With the Pope, the Nazis may have darker things in mind. The first reaction of the German press to the bombing was the suggestion that the Pope would have to be taken away to safety. After the abducting of Mussolini, any coup is possible, and it is a practice not unknown to gangsters to collect valuable hostages as they prepare to stage a getaway. The Allies have not yet come to the end of their embarrassments and it is to be hoped that they will be as clearly foreseen as the present bombing incident which Mr Churchill predicted, down to the finding of British bomb splinters, as far back as 1941.

* * *

Hitler Speaks Again

The anniversary of the 1923 Putsch has more significance than usual for Hitler and his party leaders this year. In November, 1923, the first Nazi attempt to get power was a complete fiasco which virtually dissolved the party and landed Hitler in a fortress. Yet ten years later, the Nazis were in power. This sequence has stamped itself on Hitler's mind as a sort of miracle. The impossible once happened. It can happen again. However desperate a situation, it can be restored, partly by miracle, partly by the ruthless action of the mass political party under iron discipline. So, to-day, as the front is crumbling in the east and disasters are breaking over Germany on every side, Hitler went to the Munich Bierhalle to reaffirm his faith in miracles and his confidence in the Nazi party. God had not raised him up so miraculously simply to cast him down. In no other speech has Hitler spread himself so vigorously at the expense of the Almighty. But the core of the speech was his reliance on the Nazi party to hold together, to crush all opposition, to lead and encourage the masses and to repeat the miracle of 1923. This he said, in effect, is the reason why November, 1918, will not be repeated. Then there was weakness and opposition and division. Now there is none—only the invincible

Party which bases itself on the broad masses and will ruthlessly exterminate the doubters and waverers. The speech was a declaration of war on defeatism or, rather, a continuance of an existing state of war. That is its chief relevance to the German people. Otherwise he had nothing to offer them but bombs, casualties and death and somewhere, somehow, a rosy future.

* * *

Catering Wages Commission

The first action of the Catering Wages Commission appointed in July has been to recommend to the Minister of Labour the setting up of a wages board for workers employed in industrial canteens. The Commission, which was the teacup of a political storm earlier in the year, is purely advisory in character; it can recommend the establishment of wages boards where it finds that no adequate joint voluntary machinery exists, such boards to be charged with fixing rates of wages, prescribing meal and rest intervals and making provision for holidays in the various sections of the catering industry. The Commission has, very sensibly, started by turning its attention to industrial catering—the question of boarding-houses, hotels and restaurants may present a more difficult problem at a later stage. Works canteens have now become an integral and accepted part of industrial life. They may be run by the firms themselves or by outside caterers. When the canteens are run by the firms themselves in scheduled work, their staffs automatically come under the Essential Work Order, but Mr Bevin has hitherto steadfastly refused to schedule the workers employed by outside catering firms, on the ground that wages and conditions were not properly regulated. These firms have denied this charge and there have been many complaints of the difficulties experienced in securing and keeping canteen staffs, and the quality of the canteens has undoubtedly suffered. The setting up of a wages board—if the recommendation is adopted—and the improvement of canteen workers' wages and conditions will be an important contribution towards the adequate staffing of these canteens, and, in some cases, towards raising the standards of the meals supplied.

LONDON'S STAKE IN OVERSEAS TRADE

Important addresses on this subject will be given at
GROSVENOR HOUSE, PARK LANE,
at a public meeting, from
9.30 a.m.—5 p.m. WEDNESDAY, 24th NOVEMBER.

SPEAKERS:

GENERAL SURVEY

LORD REA, *Chairman*.
The RT. HON. HARCOURT JOHNSTONE, M.P.
SIR ERIC MACFADYEN.

IMPORTS

The RT. HON. THOMAS WILES, P.C., *Chairman*.
J. D. WOLFF, ESQ.
J. L. BAYNES, ESQ.

EXPORTS

LORD LEVERHULME, *Chairman*.
LORD ESSENDON.
A. V. BARBER, ESQ.
NEVILLE DIXEY, ESQ.

CONCLUSIONS

The RT. HON. SIR PERCY HARRIS, BART., M.P., *Chairman*.
SIR ANDREW MACFADYEN.
DAVID GOLDBLATT, ESQ.

Admission by Ticket. Apply to Secretary:
LONDON LIBERAL PARTY, 8, Gayfere St., S.W.1

AMERICAN SURVEY

Thunder of a Distant Boom

(From a Correspondent in Iowa)

THE past history of the American West has more than once shown that the most insidious threat to the ownership of farms by the men who do the work is the farm land "boom." People are debating whether or not the beginnings of such a boom are now in evidence.

Bad times and low prices bring a flood of mortgage foreclosures, but good times and high prices set the stage for them by encouraging overcapitalisation and heavy mortgaging. Good times and high prices also lure speculators who are not farmers into the farm land market, to bid up the price and make it harder for an ambitious tenant to buy land for himself. The guaranteed market and prices for the chief farm products that prevail in wartime make farming so much less uncertain a venture and farm land so much more attractive an investment.

The evidence that a boom is now in the making is threefold: rising farm land prices, rising volume of farm land sales, and rising number of sales to absentee owners. Farm land prices have been inching up for years now, and though they are still moderate, the Federal Department of Agriculture's Bureau of Agricultural Economics already sees a "striking parallel" to the price rise during the previous war, which culminated in a boom in 1919-20 and a sharp deflation afterwards.

The Bureau's index of values of farm land per acre (1912-14=100) shows the sharpest yearly increase since 1920 in last year's 8-point rise:

1933	73	1942	91
1941	85	1943	99

These are March 1 figures, and the process has been continuing since. In the second quarter of 1943, Iowa farm land prices were up 11 per cent over the second quarter of 1942, and farm land prices in Illinois, Michigan, and Indiana were up 8 per cent, as a survey by the Federal Reserve Bank of Chicago showed. Incidentally, second quarter sales in Iowa were 40 per cent for cash, in Illinois 60 per cent. Until 1943 price rises for corn belt land were moderate and for wheat belt land prices scarcely rose at all, though farm income had gone up faster in these areas than elsewhere. In the semi-arid wheat belt, the chief restraining factor was the fact that much land was still being offered for sale by banks and insurance companies which had foreclosed mortgages during the hard times of the 1930's.

Farms Changing Hands

Rising velocity of turnover is characteristic of booms. The Federal Agriculture Department's "index of voluntary transfers" shows this, too. Yet these two tests, price and velocity, cannot be taken as conclusive by themselves. Those who pooh-pooh talk of an incipient boom insist that, as long as most of the farms are bought for operation by the owner (as they still are), and as long as owner-operators as a group are paying off old debts faster than they are acquiring new ones (as they are), no dangerous boom is in the making.

Several voices, while admitting these facts, point to the increasing proportion of sales to other than owner-operators; 25 per cent in the period 1934-40, 40 per cent by 1941 and 1942—close to 50 per cent in some of the eastern corn belt states. Even if farm labour, machinery, and management shortages have slowed the process in 1943 (which is dis-

puted), it is often cumulative, and farmers are always at a disadvantage when city men in numbers compete with them for ownership of the available farms.

These same voices suggest various governmental taxes and controls for the purpose of discouraging heavy borrowing, frequent sales, and especially sales to non-operators, but no serious political support has developed for any such thing.

Free Trade in Land

Politically, such a move would be very difficult. The "farm-bloc" in Congress is powerful and rambunctious. The right to buy and sell land and borrow money on it is cherished by American farmers, especially the commercial farmers of the corn and wheat belts. The intermittent outcries against the moneylenders concern the terms of the bargain, not the process itself, and governmental measures of the last ten years have made the going terms quite favourable to the farmer. Agrarian and socialist theorists who argue that commercial farming, with free sales and mortgaging, leads inevitably to squeezing out the owner-operator, have not convinced midwestern farmers in spite of the secular rise in farm tenancy since 1880, when the census first included tenancy figures. The farmers still think a little tinkering with prices and interest rates will set all to rights—and since the middle 1930's owner-operators have been regaining lost ground in the midwest.

American agricultural history is full of the wrecks of land policies which tried to mould landholding into some preconceived form. The compact village settlements of old New England did not long stand up before the atomising force of the back country. Primogeniture and entail were early and decisively smashed in Virginia. The canny schemes of colonial, state, and federal governments to make revenue producers of their unsettled lands had to bow again and again to "squatters' rights." Even the Homestead Act of 1862, by which the Federal Government finally decided to give away its vast remaining lands in 160-acre batches to settlers who could cultivate or live on their "claim" for 5 years, was shattered on the geographical fact that the semi-arid and arid regions of the west could not be farmed in such small patches unless irrigated.

In times of distress, American farmers will support mortgage moratoria and many other types of governmental assistance, but they want to be free to buy and sell land and borrow money as they please—above all in good farming years. Thousands of Iowa farmers sold out at boom prices last time—often to relatives—and retired to live in Southern California on their incomes from the mortgages even though it made hard the lot of the next generation of farmers, thus burdened with debt for grossly overcapitalised farms.

The National Socialists in Germany found it good politics in the 1920's and '30's to talk about "hereditary farms," but the commercial farmers of the American corn and wheat belts do not think in those terms at all. Some of them have been on the same farm for several generations and take a certain pride in it; but even these let their youngsters choose their careers for themselves, and at least half of them must normally leave the farm in any case. Farm families by the hundred thousand move from farm to farm, from farm to city and back again, with bewildering rapidity. They do not wish to be tied down, or to have farms tied down.

If they remember the last boom and its aftermath, they figure they will be smarter this time, and not buy too heavily, or else sell in time—and anyhow, with a market assured for several years after a war still far from won, the collapse of the boom is "a long way off."

American Notes

The Omens for 1944

The final returns from last week's elections show an even greater Republican sweep than appeared at first. Even Kentucky has a Republican Governor. The Republicans are convinced that this is a prophetic November. Mr Willkie has said that the elections showed that the country is tired—very tired—of the Administration. The Democrats have been quieter. They have had forced upon them once more the fact that the Democratic party, without Mr Roosevelt, is very much less than the whole. They have consoled themselves with talk of local considerations, of the young Democrats who are in the Services or in war work, and debarred from voting. All these consolations are valid, to a degree. To these apologetics, however, should be added two factors. There is the comparative complacency of the party. Many Democrats, and particularly many New Dealers, have forgotten the lean years before Mr Roosevelt's long ascendancy; they have had a not inconsiderable scorn of the steady backstreet work that brings in the votes on election day. Many of them are political amateurs compared with the hungry and experienced Republican bosses. The primary essential for a Democratic victory evidently is that Mr Roosevelt should run again. From his own point of view the prospect of a hard-fought and doubtful election is not inviting; but Mr Roosevelt will not willingly see a Republican enjoy the fruits of world victory. The Republicans have gained several substantial advantages. The elections have given a real lift to Republican morale. They are now in possession of a majority of the state governorships, with the prestige and patronage and influence that go with them. Finally, the seeming removal of foreign policy and post-war collaboration from party politics, which has been signalled in the votes on the Connally and Fulbright Resolutions, will enable the Opposition to concentrate on home affairs, the front on which the President is weakest. The surrender to Mr Lewis and his miners is a plum which will be made much of in the farm states.

The High Price of Coal

Coal is to be mined, but the price which has been exacted by Mr Lewis and his miners is high. The increase in the price of coal which it appears must follow the new contract is the least part of the levy which has been extorted. Despite Mr Roosevelt's order to the miners to be back at work on Wednesday, there was no response until a contract had been negotiated between Mr Ickes and Mr Lewis and the union policy committee had ordered the end of the strike. This defiance of the government has paid good returns. The new contract grants Mr Lewis almost as much as he got in the Illinois contract, the \$1.12 award of the War Labour Board being raised to \$1.50 increase per day. The reduction of the miners' lunch hour from half an hour to 15 minutes, the extra quarter of an hour to be paid for at time and a half, is a face-saver which deceives no one. The brutal fact is that the Administration has failed to support the War Labour Board, not only in the matter of wages, but by disregarding one of its basic principles, that no case is heard while workers are out on strike. The Administration seems to have thrown away all its trumps. For the present contract is no guarantee of permanent peace. It operates only for the duration of Government control. When the mines go back into private hands, a new contract will have to be drawn up; and it is certain that the miners will refuse to work for private enterprise at rates less favourable than those they have enjoyed under Government control. If another strike were threatened at that time, the heaviest sanctions of the Smith-Connally Act, which refer to plants under Government control, will cease to apply. The immediate results of the miners' triumph are not difficult to see. The CIO last week demanded the elimination of the "little steel" wage stabilisation formula on the grounds of the failure of a strong policy of price control and rationing. The way is open for renewed assaults on the wage structure. The steel workers are said to be demanding a 15 cents an hour rise. The railwaymen have turned down a new increase in the hope of something more substantial. The President's committee to investigate the cost of living index is to make its report within sixty days. But by that time the retreat from the line that was to be held may have gone too far to be retrieved.

Lend-Lease Debt

The Truman Committee to investigate the defence programme has maintained such a high standard in its enquiries, and stands so high in public esteem, that its attitude toward Lend-Lease deserves more attention than the opinions of individual and sometimes irresponsible members of Congress. The Committee's comments last week were neither as destructive nor as final as some British newspapers have suggested. They were a part—and only a small part—of a report on problems of the changeover from war production to peacetime conditions, not a full-dress investigation into Lend-Lease. This is still to come. What the Committee said, in connection with the replacement of American resources, was that Lend-Lease beneficiaries, in particular Britain, who were dependent on American supplies because of the shipping shortage, and could not find dollars to pay for them, might in return transfer title to reserves of petroleum, and deposits of nickel, copper, tin, and iron outside the United Kingdom. It was also suggested that the United States might acquire the right to manganese supplies from Russia in return for Lend-Lease goods. The references to rubber were less judicial. Here the Committee gave new life to the accusation that the British and Dutch not only did not accumulate stocks, but hindered Mr Jones from building up American reserves. The Committee expressed its concern lest the United States become once more a victim of a resurrected Stevenson plan, under which exorbitant prices had to be paid for rubber while the United States was being denounced as a Shylock. The question of methods of repayment of Lend-Lease debt obviously waits upon the decision whether there is to be any repayment at all, and, indeed, whether there is any debt. The British White Paper published this week may show that Britain's contribution to the common pool for war is not far behind that of the United States, and that, in the British view, at least, there is no case for repayment. It is as well to be prepared for the refusal of many Americans to accept this point of view. For one thing, concern over the depletion of American resources, particularly of petroleum, is very deep and very real. For another, it is inescapable that there is still

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

*M. M. Regan and A. R. Johnson: *The Farm Real Estate Situation, 1939-40, 1940-41, and 1941-42*. Circular 662, US Department of Agriculture, November, 1942.

†E.g., William G. Murray: *Land Boom Controls*, 34 pages, Iowa State College, May, 1943; M. M. Regan and Fred A. Clarenbach in the *Journal of Farm Economics*, November, 1942, February, 1943. Also many county "extension directors" in Iowa.

a deep-seated objection in many quarters to regarding the European theatre as a primarily American war. To these critics victory will certainly not be the only coin in which repayment is expected, and to an even larger number the Truman Committee's suggestions will appear an eminently reasonable application of the narrow idea of Lend-Lease, that is, the return of the implements and sinews of war. Compared with what may emerge from the coming investigations into Lend-Lease, the Truman suggestions may be shown to be the expressions of a comparatively liberal and realistic approach.

THE WORLD OVERSEAS

Brumaire 18 at Algiers?

NAPOLÉON THE FIRST got rid of his rivals of the Directory on Brumaire 18 (November 9, 1799), shortly after his return from Africa. General de Gaulle became sole President of the French Committee of National Liberation while he was still on African soil. General Giraud, still undisturbed Commander-in-Chief, was removed from the Committee on Brumaire 18, 1943.

So were two other generals—Georges and Legentilhomme—as well as two civilian commissioners of Giraudist views. Most of the seven new Commissioners belong to the Gaullist persuasion, and, though the fact that the new Commissioner for War—the Socialist le Troucquer—is a civilian harmonises well with a good French democratic tradition, there can be no doubt that the Commission born on another Brumaire 18 represents a striking political success for General de Gaulle.

The coincidence in the dates—Brumaire 18, 1799 and 1943—remarkable as it is, should not be made the basis for too close an analogy, any more than too much should be made, say, of the fact that the Consultative Assembly, now in session at Algiers, has eighty-four members, almost the same number as Napoleon's Senate convened under the Constitution of the Eighth Year, shortly after his *coup-d'état*. The traditional disposition of ambitious generals to repeat the gestures of the Great Emperor is well known, and it should not, perhaps, be given an undue political importance.

Controversy Begins

But the fact remains that the opening of the Consultative Assembly at Algiers on November 3rd immediately became a preliminary round in what promises to be a protracted struggle over the future political outlook of France. The war and the fight for the liberation of France form the general background. France is still under enemy occupation, ruled by a treacherous authoritarian Government without authority. The representatives of all political groups at Algiers have one common war aim. All are equally anxious not to allow political differences to impede the French war effort. The opening of the Consultative Assembly was a striking demonstration of this unity of purpose among French patriots. But it is also true that some crucial political controversies do not lend themselves to postponement. They arise inevitably as the practical tasks of political reconstitution come to be tackled.

Moreover, most of these controversies cannot be solved democratically as long as there is no possibility of appealing directly to the verdict of the French people. Of necessity, French politics at this stage resemble a trial in which neither side can produce evidence for its claims. Personalities and groups charged with authoritarian ambitions can always reply that no truly representative institutions can be set up as long as the French people cannot be consulted in elections. No artificial devices can obviate this difficulty.

The dilemma has been strikingly reflected in the composition of the Consultative Assembly. The Assembly consists of eighty-four members, of which sixty represent France and twenty-four the colonies and French organisations abroad. Of the sixty representatives of France, only twenty come from the ranks of former deputies; among

Shorter Notes

The House Appropriations Committee is preparing to introduce the new Tax Bill this week. It provides for tax increases totalling \$2 billions, which is \$8 billions less than the Treasury requested.

The Senate Committee on Territories has reported its unanimous approval of legislation authorising President Roosevelt to declare the Philippines independent as soon as they are liberated from Japanese control, and to negotiate for the acquisition of bases.

them are seven deputies of the moderate Right, five Radicals, five Socialists, and three Communists. The proportions correspond to the composition of the last French Chamber. One might argue that the Assembly at large ought to reflect more closely the relation of forces in that Chamber, and that former deputies are entitled to more than a quarter of the seats. But how far the former relation of political forces is valid in France to-day nobody can say. The political parties also have representatives among the forty deputies who derive their mandates from the Conseil de Résistance in France. The Résistance is represented by eleven delegates of the parties and by twenty-four members of purely Gaullist organisations (Combat, Franc Tireur, Ceux de la Résistance, etc.), as well as by four trade unionists. One may perhaps doubt whether the influence of Gaullist organisations inside the Résistance is really twice as large as the influence of all the parties together. On balance the composition of the Assembly allows for the most complicated arithmetical manipulations, which are all eventually likely to result in a Gaullist majority. It would be difficult to prove that the Assembly is fully representative of French opinion, and equally difficult to prove that it is not.

The Third Republic?

There was an equivocal note in the first political statements made in the Consultative Assembly. General de Gaulle spoke about the error committed by those "who fancy that France, once liberated, would regain the same political shape as before." That the experience of the old parliamentary see-saw which allowed no stable Government in France was unhappy, and that the French parliamentary system will need thorough reform to become efficient, no Frenchman can be inclined to deny. But the real question which underlies the discussion is whether the Third Republic ought to be improved and reformed, without its fundamental principles being thrown overboard, or treated as an *ancien régime*, to which there should be no return.

General de Gaulle's statement to the Assembly, for all its vagueness, betrayed his anti-parliamentary bias. He was most emphatic about the "means to govern with enough strength and continuity to impose the supreme power of the state upon everybody"; and his speech contained a somewhat slighting reference to those members of the Consultative Assembly who belonged to the milieu of the *anciens systèmes*, but who, he hoped, would nevertheless help to build a new system. Yet, at the same time, the General's speech contained so many appeals to French democratic tradition that, to some of his listeners, he must have appeared for a moment almost as the General Monk of the Third Republic.

Meanwhile, the status of the Consultative Assembly is such as to give rise to apprehension. The Assembly can meet only for one weekly session at two monthly intervals. Otherwise it can be convened only on the demand of two-thirds of its members (Article 21). Only Budget estimates and state loans are obliged to be submitted to the Assembly; rejection by the Assembly puts the National

Committee merely "under the obligation to reconsider" the estimates (Article 18). Even as a purely consultative body the Assembly has been given an unusually modest rôle. Napoleon used to say that "the constitutional limitations of the executive power ought to be written as shortly and obscurely as possible"; the author of the decree on the Algiers Assembly has preferred not to insert any constitutional limitations at all.

The Proper Use of Purging

The other great issue which has overshadowed the first days of the Consultative Assembly is the *épuration*, the purge. The deputies from France have given vent to their disappointment at seeing Vichy men still in responsible positions in North Africa. Their feeling against opportunist converts to the Allied cause is extremely strong; and it is because of that feeling that M. Charles Vallin, former Vice-President of the *Croix de Feu*, who joined the Gaullist movement in 1942, has been compelled to resign from the Assembly. (The decree on the Assembly says that "no deputy who, on July 10, 1940, voted for Pétain's plenary powers can be elected to it.") Similarly, the campaign against Vichy's former Minister of Internal Affairs, M. Pucheu, has assumed a very sharp form. The demand has been voiced that Pucheu, as well as other prominent ex-Vichy men, should be condemned to death for acts of treachery. Meantime, a recent decree has extended the powers of the military tribunals in order to enable them to deal with similar cases. A number of very high officials, police officers and public prosecutors have recently been dismissed from their posts.

The purge has now reached a critical point. The surprising thing is that, after so many months, Vichy men should still hold so many responsible posts in North Africa. In the Government departments, where weeding out is essential and urgent, it has been proceeding slowly so far; and it is only right and expedient that it should be speeded up and carried out thoroughly. On the other hand, the campaign for victims has grown disturbingly vociferous and violent. The demand for death sentences against Vichy men threatens to create a demoralising atmosphere of terror, where only justice is needed. And there is also the danger that, instead of a radical but calm overhaul of the administration, the campaign may degenerate into a hysterical hunting of individual scapegoats. This might still "popular anger" without really cleansing the Augean stables of the *Révolution Nationale*. It is perhaps significant in this connection that the Communists who, until recently, headed this campaign have now adopted a much more moderate attitude, and it is to be hoped that the Consultative Assembly will tackle the problem of the purge in the right, reasonable, sober and useful way.

Last week's session of the Assembly was interrupted because not all its members had managed to arrive at Algiers in time. On its resumption this week it found that the agenda had, in the meantime, been changed. The original agenda provided for a discussion on the election of a Provisional Government on French soil, and on the Budget. Now the Assembly will be asked to discuss the international situation of France before all other issues.

Egypt's Financial Position

(By OUR CAIRO CORRESPONDENT)

By far the greatest factor in Egypt's wartime prosperity is the country's extraordinarily favourable balance of payments. Semi-official computations put the net balance at over £E55 million for 1941; the assessment of the 1942 balance has not been completed, but there is no doubt that the figure will be appreciably higher despite a further sharp increase in the trade import surplus.

These figures should be compared with those for the country's foreign trade:

	Exports £E	Imports £E
1937	39,759,066	38,038,098
1938	29,342,485	36,934,373
1939	34,831,000	34,091,000
1940	28,322,000	31,377,000
1941	22,611,997	33,127,335

It should be remembered that during the years immediately before the war the balance of payments showed a distinct

deficit, owing to the flight of foreign capital. Moreover, the greatest contribution to the present favourable balance of payments has been the expenditure of the British forces in Egypt, estimated at £E63,400,000 in 1941 and at over £E100 million (including the expenditure of the American forces) in 1942. It has been possible for Egypt to take full advantage of this expenditure, thanks to the exchange control, the stoppage on dividend payments to Continental European holders of Egyptian securities and the almost complete cessation of foreign travel.

These wartime developments are reflected in the increase in purchasing power:—

CURRENT AND DEPOSIT ACCOUNTS
(£1,000)

As at December 31	1939	1940	1941	1942
Current accounts	50,351	48,564	77,427	108,671
Deposit accounts	8,463	8,280	9,491	7,868
Total	41,817	57,518	86,918	116,539*
Savings Banks	30,556	30,441	11,774	14,409
	68,353	67,189	98,692	130,947

* Commercial Banks' and Savings Banks' accounts are excluded.

To these totals may be added the banknotes issued and the coinage in circulation at the same dates, less a deduction for cash kept by the banks as till money.

(£1,000)

As at December 31	1939	1940	1941	1942
Notes (issued)	23,009	39,500	52,700	79,200†
Metallic coins in circulation	3,092	6,250	6,463	6,853
Total	33,092	45,750	59,163	86,053‡
Less 10 per cent. of current accounts	3,655	4,887	7,745	10,867
Net total	29,437	40,863	51,418	75,186
Total purchasing power	84,810	108,052	150,022	206,133

† These figures include notes which are circulating in the Sudan and perhaps, to a small extent, also in Eritrea and Abyssinia.

‡ Currency notes are not included, since their value is represented in the Government balance at the National Bank of Egypt.

During the first half of 1943, this purchasing power increased at a faster rate than previously. On July 31st, the note circulation stood at £E89 million.

In the absence of a firm anti-inflationist policy, the phenomenal increase in the purchasing power of a semi-isolated country, whose production has not expanded similarly, has resulted in a very sharp rise in the cost of living. The index for July, 1943, was 242.

Anti-Inflation Steps

Until the middle of 1943, the Government had not taken any energetic steps except in the case of cereals, first, because it had not gauged accurately the perils ahead, and, secondly, because the owners of the instruments of production have an overwhelming representation in Parliament. With the steady deterioration in the situation, and the spreading discontent among the middle classes, a stronger line was adopted, partly as a result of the leadership of the Middle East Supply Centre. To-day, the Government's main preoccupation is probably the fight against the excessive cost of living. Up to September, 1943, only kerosene and sugar had been rationed, and quite liberally at that, but oil and tea have since been added to the list. Price control has been extended, and is more rigorously en-

**THE
BANK OF NOVA SCOTIA**

(Incorporated in Canada with Limited Liability)
Established 1852.

General Office: Toronto, Canada.

Paid Up Capital ...	\$12,000,000
Reserve Fund ...	\$74,000,000
Total Assets over ...	\$860,000,000

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. Mactaggart, Manager

forced. The profits from the manufacture and distribution of several important articles have been limited. Hoarding is more severely prosecuted. This policy has met with a fair measure of success, but some of the credit for it must go to the Allied victories which have restored confidence in the currency, and brought nearer the restoration of international trade, thus depriving speculators of two of their main stimulants. The price of sterling gold coins declined within a few months from PT 580 to PT 445, and, for a time, minimum prices had to be introduced on the Stock Exchange to avert a panic.

There has, however, been a very notable exception in the downward movement of prices. For the new cotton crop, the Government has raised its purchasing price from 25 to 30 tallars for f.g.f. Griza 7 and from 20 to 24 tallars for f.g.f. Uppers. Although last season's exports totalled only 2,070,095 cantars, out of a very curtailed crop of 4,232,787 cantars, against 4,609,473 cantars for 1941-42, and about 7½-8½ millions in normal seasons, domestic consumption increased only from 843,630 cantars in 1941-42 to 889,566 cantars in 1942-43. The official reason for the rise in the official price is the need for compensating growers for the stabilisation of the cereals price since 1942.

As the accepted technique of rationing, price-fixing, heavy taxation and enforced savings could not be carried far enough in Egypt, owing to the inadequate administrative organisation, the enormous differences in standards of living, and the opposition of the ruling class, the Government has been repeatedly advised to resort to "sterile" borrowing in order to absorb at least part of the excess liquid funds. By the end of the fourth year of war, however, the advice had not yet been followed. On the contrary, the growing Budget surpluses have been used to refund prematurely part of the moderate sums that were borrowed to finance the 1941 and 1942 cotton crops.

The new Minister of Finance, Amin Osma Pasha, has now come forward with a plan to refund the 3 per cent guaranteed debt, the 3½ per cent and 4 per cent Egyptian Tribute, the 4½ and 4 per cent Cotton Loans, totalling £E11,587,000, and the conversion of the 4 per cent Unified and 3½ per cent Preference Sterling perpetual debts, totalling £85,884,440, into a single 3½ per cent Loan M.I.E. payable in 30 years. At present, out of the £85,884,440, £32 millions are held abroad; £14 millions in Great Britain; £13 millions by the General Reserve of the State; £7 millions by the Postal Savings Banks; and £14 millions by the issue department of the National Bank. On the eve of the first world war, four-fifths of Egypt's national debt was held abroad. It appears that the repatriation of this debt, which began then, will be brought to a satisfactory conclusion by the end of the present war. It is not yet clear whether, in order to absorb some of the excess liquid funds, borrowing will be carried beyond the refunding and conversion needs described above.

The requisitioning by the British Government of the £14 millions of Egyptian State Funds held in Great Britain will reduce by that amount the very large sterling sums which have accumulated to Egypt's credit since the beginning of the war. On July 31, 1943, the banking and issue departments of the National Bank held between them £E195,638,283 of securities which, except for a few millions, were all British. It is the hope of enlightened Egyptian leaders that a rational use will be made of these credits for the post-war development of the country, and that they will not be squandered on the luxury purchases and in the speculation which marked the period after 1918. As far as the state is concerned, the large Budget surpluses since 1941 have been used to increase the General Reserve from which will be financed some of the extensive renewals of equipment needed after the wear and tear of the war, as well as the ambitious post-war economic and social programme.

Eire's Wheat Supplies

[FROM OUR DUBLIN CORRESPONDENT]

October 25th.

The position of wheat in the area tilled by Irish farmers has been one of economic policy since the outbreak of France and twenty farmer was compelled to till 12½ per cent abroad. Of this in 1941, this percentage was increased to twenty come from in 1943 to 25, and in 1944 it will be 37½ as a farmer tilled this amount he was

deemed to have observed the law. The growing of no particular crop was required, but wheat was encouraged by a satisfactory guaranteed price. The area under wheat increased from 255,000 acres in 1939 to 574,000 acres in 1942. The preliminary estimate of crop areas for the present year indicates that, although the total area tilled has increased by 30,000 acres, the area under wheat has decreased by 67,800 acres, or 11.8 per cent. The area under potatoes has also decreased by 20,000 acres, or 4.8 per cent. While it is probable that these estimates are slightly exaggerated, there is no doubt that the food situation has deteriorated. The harvest has not been very good and yields are probably below average. There is no possibility of raising the percentage of wheat extraction in milling, because the present extraction is already 100 per cent—to the disapproval of some dietetic experts, who state that it is 15 per cent too high. Although it is possible for some barley to be added to bread next year, it still remains imperative that the production of wheat should be increased.

Higher Wheat Price

With this object in view the price of wheat in the coming season has been raised from 50s. to 55s. a barrel. When allowance is made for the scheme of fertiliser credits, this comes to 57s. 6d. a barrel. Experience proves that a high price is not in itself enough to encourage Irish farmers to grow wheat in the quantities required. The acreage necessary to enable Eire to dispense with imports of wheat is 700,000, and it is doubtful if this target can be reached. It certainly could not be reached by the stimulus of a high guaranteed price. Wheat-growing is not traditional with the majority of farmers in the south and west. Both soil and climate are more naturally favourable to oats and potatoes. Wheat is believed to be wasteful of the fertility of the land, and it suffers more than other crops from the risks and uncertainties of the wet and capricious Irish climate. The Government has therefore ordered that every farmer must, in the coming season, sow a minimum area of wheat, varying from one-tenth of his holding in some counties to one twenty-fifth in others. A similar requirement in respect of potatoes might be desirable, but it has not been imposed.

The production of wheat has therefore been made compulsory. There is a tendency in some quarters to blame farmers for the shortage of wheat, but such blame is quite unjustified. All they were required to do was to till a certain portion of their land without any reference to the production of any particular crop. They are perhaps more to be blamed for withholding food from the market in order to feed it to livestock. Doubtless the new order will increase the acreage under wheat next year, but it is doubtful whether the volume of wheat will be proportionally increased in view of the extension of cultivation to less fertile land and the shortage of fertilisers and machinery. Any failure in the programme of wheat production will have the most serious consequences. At present, the total space available in the few Irish ships that have survived the risks of wartime navigation is utilised in transporting wheat from America, and any further decrease in the volume of Irish tonnage, pending next year's harvest, would expose the country to a dangerous shortage of bread.

Raw Material Shortage

The necessity of devoting all available shipping space to wheat has increased the embarrassments of Irish manufacturers who require supplies of raw materials from overseas. Although imports of such raw materials have been dwindling, especially since the United States entered the war, small but useful quantities of cotton yarns, cotton piece goods, paper, paper pulp, tobacco leaf, raw sugar, materials for paint and polish, chemicals and drugs have continued to arrive. If shipping space cannot be found for these articles, unemployment will be inevitable in many industries, for example, the hosiery, weaving, shirt-making, tobacco and paper industries. New ships are, for all practical purposes, unobtainable, and the present exigent and depleted tonnage is therefore a vitally important lifeline. The deliverance of Eire from this perilous position depends upon the exertions of her farmers. It is devoutly to be hoped that their labour will be helped by a favourable season and an abundant harvest. Anything in the nature of a widespread failure of crops would be a disaster comparable in magnitude only to the Great Irish Famine, now approaching its centenary year. If such a failure were to take place, the "hungry forties" would become a grim reality rather than an unhappy memory.

Each Day's March

nearer Victory and Peace increases the importance of the Trade and Technical Press, which includes no group of journals more influential than those published by the House of Benn. A glance at the list below reveals at once their significance for peaceful purposes as well as their contribution to the war effort:

THE CABINET MAKER	THE MILLER
THE HARDWARE	THE LEATHER TRADES
TRADE JOURNAL	REVIEW
THE ELECTRICIAN	THE NEWSPAPER WORLD
THE GAS WORLD	THE BRITISH TRADE
THE FRUIT GROWER	JOURNAL & EXPORT
THE CHEMICAL AGE	WORLD
THE TIMBER TRADES	INDUSTRIA BRITANICA
JOURNAL	TEXTIL
THE NURSERY WORLD	BRITANYA SANAYII

Here is, clearly, a world-wide organisation for making known your plans to rebuild your Home and Overseas trade, and for helping you to formulate them.

**BENN BROTHERS
LIMITED**

**BOUVERIE HOUSE,
FLEET STREET, LONDON
E.C.4.**



CABLE AND WIRELESS LIMITED

SWEEPING reductions in rates have been made since this great company came into being in 1929 and special cheap Press rates have been introduced.

EXPEDITIONARY Force Messages were brought into being to meet the need for telegrams to and from the Forces overseas.

RESearch has enabled photographs to and from many parts of the world to reach the newspapers overnight, and has improved the technical performance of wireless and cables alike.

VAST increases in the number of wireless stations have taken place, and even during the War wireless capacity in this country has increased by a half.

IN PEACE or in war the resources of an all embracing communications system are at the disposal of the Governments and peoples of the British Empire.

COMMERCE depends on communications and every new market-place in the world will find this Company ready to render service.

EVERY corner of the globe to which our fighting men or traders need to go will find

CABLE AND WIRELESS

LTD



"At your service"

Russia at War

Marshal and Gensec

ON September 11th *The Economist* published an imaginary chapter from the book on "Russia at War" that a future Russian historian might write. The subject of that chapter was the revival of the old ways, and, in particular, the Holy Synod. Another such chapter, a little later in the volume, might well deal with Marshal Stalin's speech last Saturday, on the twenty-sixth anniversary of the Russian Revolution. It would run something like this: "On the eve of the twenty-sixth anniversary of the Revolution, Marshal Stalin was awarded the Order of Suvorov—¹ for correct leadership of the operations of the Red Army. The Order of Suvorov was introduced in the course of the war; and it was a token of Russia's reconciliation with the past, a tribute to the war lord of the old Empire. On the evening of the anniversary, Stalin, as usual, appeared before the Moscow Soviet to deliver an address. In the past he had always spoken to the Soviet in his capacity as Party leader. This time he appeared in his Marshal's uniform. He wore epaulettes embroidered with gold, and stars adorned with diamonds and jewels.

"To the older members of the Soviet, this must have been an unfamiliar and exciting sight. They probably remembered Lenin in the workman's cap that he would never change for an ordinary hat; the dress of the old leader had symbolised his ideological outlook—he was the spokesman of the proletariat. They must also have remembered Stalin himself in his commissar's cap or his high fur hat; he, too, had remained true to his origin, and dressed in a modest and workmanlike way. The anniversary audiences in the Moscow Soviet changed from year to year. Some of the veterans of the Revolution had died a natural death; many more had fallen victims to the purges. But, through all these changes, the members of the Moscow Soviet still remained Bolsheviks, Russia's Jacobins, the makers of a revolution and the builders of a new order. Makers of revolutions sometimes attach much importance to outward appearances, dressing to distinguish themselves sharply from the 'aristocrats' and upholders of the old régime. So dressed the Roundheads, so the Jacobins and so the Bolsheviks, too. And so dressed Stalin throughout the long years during which he stood at the helm of the Party.

Bolshevism in Uniform

"Now for the first time he was appearing as the Marshal, in his shining uniform, and with the glory of unparalleled victories. Shortly before the Moscow Soviet gathered for the celebration, loudspeakers in every Moscow street had announced the capture of Kiev by the Red Army.

"In the evening fireworks in profusion and salvoes of gunshots had greeted the victory. In the general mood of triumph and enthusiasm the new military rank of the old Gensec (General Secretary of the Party) was very real; and some of the Bolsheviks present must have been strangely

affected. War seemed to have relegated the Party to the background. The people, they might have pondered, were hailing the Army, as if to forget that the Army, too, was the Party's creation. New names, the names of the young Marshals and Generals, never prominent in the Party, were now on everybody's lips; their pictures on post-cards were sold at all kiosks. Everything seemed to be overshadowed by the passion for the Army, its deeds, its ways, and its modes. Even the Gensec seemed now to pay little attention to the Party. It was for the Army that he spoke almost daily in his Orders, and showered on it praises of which he was never so lavish to the Party. Now he had come to address even the Moscow Soviet in his new military capacity.

"Yet, when Stalin spoke, they all recognised in him the old Gensec. His manner was as unassuming as ever, his speech was, as usual, somewhat colourless, but businesslike; it was drily that he announced that 'in the course of the past year . . . nearly one million square kilometres of territory, almost two-thirds of the enemy-occupied land, had been liberated.' He went on to speak of the 'behests of the great Lenin.' He made no single reference to Suvorov, Kutuzov or the great Russian traditions of which there had been so much talking and writing. He was reporting on the war, but he spoke in the same accents with which he might have addressed the seventeenth or eighteenth Party conference before the war. He paid his tribute to the civilian population which, by its sustained and self-sacrificing effort, was winning the war no less than the Army. He praised the workers, first of all, the workers who, after the evacuation of the industries from the west, managed to run the war factories and give the Red Army superiority in arms. He turned to the peasantry, and laid stress on the role of collective farming in keeping the Army and the people supplied with bread. He briefly remarked on the war effort of the intelligentsia. He pointed to the equality and friendship of all—the Soviet peoples, a fundamental principle of the Revolution. As he went on he spoke more and more frequently, and with particular piety, of Lenin, his principles and his party. Finally, the speech became a vigorous vindication of the Revolution and of the Socialist State.

"As in the years of peaceful construction so in the days of war, the leading and guiding force has been the Party of Lenin. No other party has ever enjoyed . . . such prestige. The Party . . . the inspirer and organiser . . . Herein lies the source of the strength of our state. . . .

"The Marshal was making it quite clear that he was still the Gensec of the old days. He turned to the tasks of reconstruction, described the grim devastation done by the enemy, promised punishment to the war criminals, and proclaimed again his Socialist faith:

"The lessons of the war show that the Soviet system is not only the best form of organising the economic and cultural development of the country in the years of peaceful construction, but also the best form . . . in wartime.

"The rest of the Marshal's speech must have had an equally encouraging effect on his Party listeners. Russia lived during those months in impatient expectation of the 'Second Front in the West.' For weeks on end the Russian press had argued that the Western Allies were not pulling their full weight. And now the Marshal told them that what the Allies had done so far—in the Mediterranean and in the air war over Germany—was 'something in the nature of a Second Front,' and promised that the 'real Second Front . . . was not far off.' Russia's long agony was coming to a close; the Marshal already spoke about freeing Lithuania, Latvia and Estonia, the outlying republics that before 1941 had not had the time after their occupation to become properly assimilated in the Soviet Union.

"The writers of that period used the word 'monolithic' to describe the ideological outlook of Russia. The description was only partly true. Beneath the uniform surface there was a variety of trends. The war had brought to the surface the trend towards national tradition, the Army and even the Church, and Marshal Stalin encouraged and stimulated it. But at the same time he sought to counter-weight it by upholding inside Russia the more recent tradition of the Bolshevik Revolution; and it was for this that his speech on the twenty-sixth anniversary of the Revolution was so remarkable."

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
NYSALAND
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

THE BUSINESS WORLD

The Newspaper Industry

THE business of producing newspapers for sale to hundreds of thousands or millions of readers every day is one of the large industries of the country. But it is also one that is an exception to nearly every rule. Its product, for example, is sold well below its cost of production. The overhead costs of the industry are not very heavy, but it has a large "overhead income" in the form of advertising revenue. The industry is highly competitive, but the object of the competition is not solely—at times it has seemed to be not mainly—the attainment of maximum profits. Other criteria, such as political influence and even personal power, enter into the equation. The net effect of these remarkable circumstances is to produce a lively time for newspapermen, but an erratic living for those who depend upon newspaper profits. The Stock Exchange has always regarded newspaper shares as being well within the speculative class, and this judgment was only confirmed by the events of the ten years before the war, when the costs of "buying circulation," whether by armies of canvassers, through insurance, or presentation sets of the works of Charles Dickens, were much heavier than ever before.

A newspaper's dominant asset is its goodwill, but in a modern press context the term "goodwill" has a peculiar meaning. It refers not so much to an established connection among readers, as to the ability to transmute that kind of "custom" into revenue from advertisers, which will more than suffice to offset the expense of securing it by selling newspapers for less than they cost. The process of building up a large circulation newspaper, in pre-war circumstances, involved "development expenditures" running into millions. Although at least one big group had successfully risen from near the bottom to very near the top in the inter-war years, it seemed likely that the large units already established in the field would be left to fight the matter out between themselves. But it had become clear that, in the popular newspaper world, "the same arts that do gain" a circulation "must it maintain," and that, for each newspaper, every new reader secured, or every old reader held, above a certain minimum figure, is liable to make a disproportionately large contribution to running costs.

Finally, for an industry in which goodwill—which, after all, is an intangible and fluctuating asset, however great its earning power—counts for so much, the capital structure of many large newspaper publishing groups is highly geared. Fixed interest issues like debenture and preference stocks bear a distinctly high ratio to equity stocks, and in some instances pre-equity obligations are further swollen by guarantees given to property-owning or newsprint-producing subsidiaries of the main holding companies. Consequently, while in pre-war days the larger newspaper companies, operating in an expanding market both for readers and advertising, paid satisfactory and sometimes handsome dividends, the staid kind of investor, preferring penny plain to twopence coloured, tended, on the whole, to give their shares a fairly wide berth.

During the war, the financial experience of the press has been determined by factors unlike those of any other industry. The newspapers, in the unexpected company of the brewers and tobacco manufacturers, have been officially treated as purveyors of national morale. True, their supplies of essential material—newsprint—have been cut far more drastically than those of either hops or tobacco leaf. With a ration of approximately one-fifth of pre-war supplies, indeed, the industry has approximated more closely to the position of some of the "concentrated" consumers' industries, but with two essential differences, which together have gone far to give it the best of both worlds. In the first place, the authorities have made no attempt to apply concentration to the press, either directly or by depriving it of the minimum labour force necessary to carry on. In the second place, the press has been able largely to pass on the burden of reduced supplies directly to

readers, who have paid the pre-war price for papers greatly reduced in size, and to advertisers, who have submitted more or less cheerfully to significantly increased charges for the limited amount of space available. The exact increase in newspaper advertising rates is difficult to determine. The following table, however, gives a reasonably accurate picture for a number of London daily newspapers, and suggests that, although the increase is greatest in the case of newspapers of largest circulation, it has been broadly of the order of 100 per cent—or rather more, in some instances, if allowance is made for the reduction in width of the wartime column.

	ADVERTISING RATES (per inch, single column)	
	Pre-war	Present
Daily Express*	£6.10.0	£12
Daily Mirror	£120 (column)†	£150 (column)‡
Daily Herald*	£6	£12
Daily Mail*	£6	£11
News-Chronicle*	£4.12.6	£9.10.0
Daily Sketch	£75 (column)†	£125 (column)§
Daily Telegraph*	£5	£7
Times	£3	£5

* Now 8 columns to the page, instead of 7 pre-war.
† 4 columns to page. ‡ 6 columns to page. § 5 columns to page.

The cost of nearly all the constituent elements of news-

To MEMBERS of the Scottish Widows' Fund

In the past 128 years members have invested nearly £99,000,000 in premiums.

During the same period over £105,000,000 was paid to members or their families and the Society still holds £36,000,000 out of which to pay the claims of existing members as they arise.

Increase your stake in this strong old mutual Society. In most cases new with-profit policies cover CIVILIAN WAR RISKS WITHOUT EXTRA CHARGE.

Write to your agent or to the Secretary,



**SCOTTISH WIDOWS'
FUND**

Head Office:
9, St. Andrew Square, Edinburgh, 2

paper preparation and publication has, at the same time, risen steeply, but in terms of total expenses this tendency has been more than offset by the striking reduction in the physical turnover of the industry. Thus, the total wages bill has tended to fall, because releases of staff for national service have more than counter-balanced the effect of salary rises and the payment of a moderate war bonus. The cost of newsprint has approximately trebled. But the size of the popular penny dailies is now rather less than, say, one-quarter of the pre-war figure. But war makes good news, and not only have readers been prepared to pay the peacetime price for a wartime product, but some newspapers have had a demand from would-be new subscribers which they have, until recently, been unable completely to satisfy. At the same time, they have been rationing space to advertisers, under the ægis of an official control which has insisted that specified maximum ratios of advertising to editorial matter shall not be exceeded.

Recovery in Profits

The upshot of all this has been that newspaper profits—which had, on the whole, been tending to fall in the couple of years immediately before the war, and seemed likely to be set back further at its outset—have shown a very considerable recovery. This is exemplified by the results for some of the leading groups given in the table at the foot of this page. The precise trend of newspaper profits is difficult to determine from published accounts, partly because the companies involved are usually holding concerns whose disclosed earnings figures do not necessarily reflect the full rise in the profits of subsidiaries, and partly because the published totals are given after various internal provisions (and sometimes after deduction of taxation) which almost certainly are greater today than in peacetime.

Even after all such allowance for under-disclosure, however, it will be seen that, with few exceptions, earnings for the last complete war year were higher than in the last year of peace, and in some instances exceeded those of the best peacetime year. The recovery from the worst year of the war is very striking. In some cases, dividends are lower than in the last pre-war year, but in others they significantly exceed the pre-war figure. The presumption is, however, that, allowing for the increased scale of internal adjustment as well as the more obvious ploughing back of disclosed profits, financial policy is appreciably more conservative than in pre-war times. The yields on representative newspaper equities, which are shown in the last column of the table, are still, on the whole, above rather than below the average for seasoned industrial shares generally, despite the upward tendency of newspaper share prices on the Stock Exchange in the period immediately before the present general setback to market activity. The "expected yield" in some instances is higher than the figures given in the table, which are based on the last complete year's dividend, because the market is looking for a further moderate increase in published earnings and dividends when results for the latest period of operation are available.

On the whole, the investor does not appear to have abandoned, even under wartime conditions, his traditionally conservative approach to newspaper shares. And on any reasonable estimate of post-war probabilities, his caution does not seem wholly out of place. The industry, for obvious

reasons, is likely to be among those where competition, rather than any form of state control, is likely to prevail after the war. It is hard to imagine that, in Great Britain of all countries, the State will ever attempt to impose central control, financial or otherwise, on the national press. But, despite the growth of large financial units in the industry in the last three decades, and the effective bar on new entrants which the heavy cost of establishing new papers imposes, newspaper production, as an industry, has never lent itself readily to cartelisation. Certain attempts are being made to continue into the post-war period some of the co-operative, or at least non-competitive, practices that have been forced upon the industry by the war. These attempts may succeed for a time. They may outlast the period of transition from war to peace. But few who know Fleet Street will have much confidence that they will last indefinitely. Indeed, competition among the large circulation papers may well be more rather than less keen after the war, and it must, from the nature of things, be competition in service to the reader and, through him, the advertiser. It would be wholly contrary to previous experience if advertising rates, having been raised during the war, were to be reduced appreciably when the war was over. If those in control of the popular newspapers live up to their good intentions and continue to abjure the less rational methods of circulation-buying (and that is a matter on which individual investors may have their own opinion) "competition in service" is likely to mean only one thing—an increased number of features of the non-news type and larger papers. And, given anything like the pre-war number of pages in the average newspaper, costs of newsprint, printing and salaries will, almost inevitably, be higher than in pre-war days.

All in all, the link between newspaper profits and advertising may be found to have been drawn closer, if anything, by the events of the war. There is still considerable scope, over the long period, for a significant further increase in the quantum of press advertising. Experience both in this country and elsewhere seems to show that the volume of advertising grows more than in proportion to the national income—this is natural, since a higher national income means a greater fund of purchasing power to be spent in directions where the consumer has a choice that can be influenced—and there is no new competitor in sight for the advertiser's money who seems likely substantially to reduce the newspapers' share. But whether the volume of advertising to be secured is static or rising, the connection between advertising and profits involves the large-circulation newspaper-owning companies in a race without a finishing post, in which the positions of the first four or five runners may frequently change, and the leaders themselves are never entirely satisfied with their turn of speed. Within comparatively recent years, leadership in circulation has changed more than once, and apparent outsiders have come up to leading positions in the field. The war, whatever else it may have done, has not changed these conditions fundamentally. A recent increase of approximately 11 per cent in paper supplies has been followed by a proportionate rise in the circulation of one or two newspapers, but no rise at all in that of some others. Some papers, it would appear, have been bought only *faute de mieux*, and the increased supplies now available of the papers the public wants have led to a transfer. Such conditions may make for exciting and colourful events in Fleet Street, but they are not the best recommendation of newspaper shares to the conservative type of investor.

NEWSPAPER COMPANY RESULTS

Company (and Date of Accounts)	Profits (£000)				Ordinary Shares (or Stock)						
	Pre-war Years		War Years		Earned (%)		Paid (%)		Par Value	Latest Price	Yield (%)
	Best*	Last	Worst	Latest	Last Pre-war	Latest Year	Last Pre-war	Latest Year			
London Express (June 30) (a).....	250(39)	250(39)	247(41)	248(43)	20.3	6.3(b)	20	5(b)	£1	29/-	3.448 (b)
Associated Newspapers (Mar. 31) (c)...	940(37)	452(39)	407(40)	573(43)	14.1	18.7	12.5	17.5	5/-	15/-	4.861
Daily Mirror (Feb. 28).....	445(38)	420(39)	264(41)	305(43)	17.9	9.6	15	10	5/-	15.3	3.279
Sunday Pictorial (Feb. 28).....	(a) 223(37)	156(39)	(a) 167(42)	223(43)	10.8	18.8	10	15	£1	49.6	6.061
Amalgamated Press (Feb. 28).....	657(35)	488(39)	503(40)	972(43)	8.5	28.0	6	11	10/-	21.6	5.116
Kemsley Newspapers (End Dec.).....	1,071(35)	872(39)	939(40)	1,054(42)	7.4	17.2	5	8	£1	32.6	4.923
Odhams Press (Dec. 31).....	455(36)	379(39)	492(40)	772(42)	21.3	39.4	6	12.5	4/-	11/6	4.348

* In last five pre-war years. (a) Profits figures after taxation. (b) On trebled capital; equivalent to 18.9% and 15% respectively, on former capitalisation. (c) Earnings, etc., shown on deferred shares.

Growth of the UKCC

If evidence were needed of the increasing scale of activities of the United Kingdom Commercial Corporation it is provided in the recently published report from the Committee of Public Accounts. The closing passages of that report are devoted to the Corporation. After summarising the history of the UKCC, it is pointed out that "very large sums have now been issued to the Corporation and its subsidiaries out of monies provided by Parliament." The Committee cannot admit that "expenditure of the nature and magnitude now being incurred, wholly financed from public funds, should be entirely exempt from control and examination on behalf of Parliament." Representations on this score met with partial success, as a result of which the Committee were given confidential particulars of the work of the Corporation and the following arrangements were made:

- The Comptroller and Auditor General will be furnished with copies of the audited accounts of the UKCC and its subsidiaries and will be granted access to their books.
- The Treasury Accounting Officer, in appearing before the Public Accounts Committee in connection with the vote of credit providing funds for the Corporation, will be accompanied by the chairman and such other members of the board as are necessary to enable the committee to have a full explanation of the transactions undertaken by the Corporation with the public funds at their disposal.

The remarks of the Committee imply two things: that the scale of the UKCC's operations has greatly increased and that, concurrently with their growth, they have become less commercial and have had to depend on heavy direct subsidies. Indeed, the Committee "do not think that the main functions and objects of the Corporation can now be correctly described as commercial." It is questionable whether, despite its name, the Corporation can ever have been regarded as a "commercial" proposition. It was conceived in 1940 in order to promote British trade with certain neutral countries, chiefly in the Balkans, as a rather belated answer to the German economic *Drang nach Osten* which had by then put the Balkans safely "in the bag." From the start, the UKCC was regarded as part of the armoury of the Ministry of Economic Warfare. It was neither intended nor expected to engage in directly profitable commercial operations. Its nearest approach to commercialisation occurred during the period of the export campaign directed to obtaining the foreign exchange resources which, in those pre-Lend-Lease days, were still a high priority article of war. The main export drive was to South America, but it exhausted itself quickly, partly because the need for foreign exchange diminished after the Lend-Lease Act was passed, partly because Lend-Lease aid carried with it demands for self-restraint on British exporters' part, especially in the South American markets and, finally, for more urgent reasons, such as the shortage of shipping and of exportable goods.

The third phase in the UKCC's development—all these phases were part of a process of gradual evolution in which the lines of demarcation were blurred and a great deal of overlapping occurred—provided a complete jump away from commercialisation. It was the phase of pre-emption, during which the UKCC competed actively against the enemy in neutral markets for goods which the Allies had good reason to see denied to their opponents. This was the period of open and flagrant competition with German buyers in such countries as Turkey, Spain and Portugal, when the UKCC became a more positive part of the economic war waged on the enemy. Like all warlike operations, it was a costly form of activity. It was symbolised by such deals as bidding up the price of Portuguese wolfram from £300 to £6,000 a ton and by the more comic episode when the agents of the UKCC forestalled those of the German Government in clearing Spanish and Portuguese shops of their stocks of warm woollen clothing in the harsh winter of 1941-42 when Germany was scouring Europe for clothes to keep her soldiers warm on the Russian front. Pre-emption is, by definition, uneconomic in terms of immediate profit and loss, but though this type of activity may have been responsible for some of the UKCC's biggest apparent losses, it was not its least useful contribution to the war effort of the Allies.

The main expansion in the UKCC's operations, however, occurred with its tackling of the twin tasks of supply to the Middle East and, via the Middle East, to Russia. After the

collapse of France, the entry of Italy into the war and the virtual closing of the Mediterranean in 1940, the problem of supply to the Middle East acquired new magnitude and new urgency. The trade between the Middle East and Axis countries was gradually severed, the process being completed after the Allied occupation of Syria, Iraq and Iran. The economic foundations of these large and vital areas had begun to slip and required immediate underpinning. The most urgent need was for foodstuffs to repair the shortages caused by bad harvests, by hoarding and by the increased needs of large numbers of occupying Allied troops. Fertilisers had to be imported to increase local production of cereals; industry had to be fed with raw materials. These new tasks had to be tackled at a time when shipping was being seriously reduced by enemy sinkings, and when the efficiency of the available tonnage was reduced by the need to make the long voyage round the Cape. The immediate need was to economise shipping, and this could best be achieved by centralising the requirements of these countries and satisfying them in accordance with a carefully thought-out plan which, by making Egypt the main redistributive centre, would use local shipping and transport facilities to the greatest possible extent and so reduce the burden falling on the ocean-going tonnage. The economic general staff which directed this vast programme of supply was the Middle East Supply Centre with the UKCC as its admirably adapted and, by then, well-tried, operative organisation.

In certain bulk trades such as shipments of wheat, sugar and fertilisers the UKCC exercises an effective monopoly in these countries. Supplies are imported to the main clearing centres and then redistributed by the UKCC, which sells direct to the Governments concerned. These articles are subject to strict rationing in all the Middle East countries, and the Governments in question control their further redistribution until the point at which they reach the consumers. Other essential goods such as clothing and various kinds of foodstuffs are not bought in bulk direct by the UKCC but are handled as far as possible through private enterprise, the UKCC intervening only where its services are required and then as far as possible using the normal trade channels. The trade in non-essential goods has largely disappeared, though import permits are granted for a number of articles, such as beer, for which, however, no shipping priority is provided. Here again, the UKCC comes into the picture if required, but leaves the problem of redistribution wholly to private traders. The main concern of the MESC has been to economise shipping in satisfying the essential needs of the countries for which it is responsible. Consequently there has been considerable emphasis on attempts to increase the self-sufficiency of this area. To increase the productivity of local agriculture by importing fertilisers has meant an economy of shipping space compared with the alternative of importing the grain. To serve the same object, ambitious irrigation projects have been undertaken. The UKCC has also become a clearing centre for the surpluses of Middle East countries, encouraging the trade between these countries as another contribution to solving the problem of economy of imports and shipping.

A tremendous extension in the work of the UKCC in the Middle East followed the German attack on Russia. The Middle East route to Russia at once became one of the main arteries of supply to the new ally, and the UKCC was put in charge of organising this enormous task. It meant in the first place a vast programme of road building and railway extension and the import of a fleet of trucks and rolling stock. Then the stream of supplies of war materials, foodstuffs, clothing, chemicals, began to flow over the new route. This flow of goods is controlled by the Allied Supplies Executive in collaboration with the Soviet Trade Delegation in London, but the bulk of it is handled by the UKCC. In supplying the vast needs of the Russian armies through this route every attempt has been again made to economise shipping. This led to the development of new industries in the Middle East, a striking example being the setting up of a substantial leather tanning and boot industry in Iran, which, with supplies of hide from East Africa and tanning material from Turkey, is now supplying millions of pairs of army boots for Russia. There has also been considerable industrial development in Palestine, from chemicals and diamond polishing to light engineering, in which the UKCC has played a prominent part.

What of the future of this organisation? In its present form, it is a product of war and of economic warfare. It will in the course of its belligerent activities have acquired a strong political flavour which may not make it the most palatable instrument of peace-time commerce. The possibility of its adaptation to peace trading must await the answer to fundamental questions about the character of the post-war merchanting system of this country. If it is decided

to continue inter-Governmental bulk trading in certain essential commodities, the UKCC may be found useful in filling the rôle of a British Arcos. If the organisation is disbanded, its personnel, nine-tenths of whom consist of merchants borrowed from the trades in which the UKCC deals, will shed no tears, but will return to their various markets enriched by their war-time experience of what can be achieved by centralised planning of foreign trade.

Business Notes

Railways and Civil Aviation

While the shipping companies have been staking out claims for a share in international civil aviation after the war, little has been heard from the railways. This silence is not due to any disinclination to go "off the rails," but to the fact that the railway companies were given authority to "take to the air" as long ago as 1929, and have already achieved a dominating position in inland air transport. During the summer months before the war their associated air companies operated about 70 per cent of the inland route mileage for which licences were issued, and an equal proportion of the railway aircraft mileage on these routes. Since then, the railways have strengthened the position by further acquisitions and amalgamations, so much so that they are now operating all the authorised inland routes, with one exception. Altogether they have contributed some £750,000 to the development of this side-line. The main concerns in which the railways have invested capital are:

Railway Air Services, Ltd.
British and Foreign Aviation, Ltd. (this concern also owns Air Commerce, Ltd., and Olley Air Service, Ltd.)
Channel Islands Airways (owns Jersey Airways and Guernsey Airways).
West Coast Airways Holdings (owns West Coast Air Services, Ltd.).
Isle of Man Air Services, Ltd.
Scottish Airways, Ltd.
Western Isles Airways, Ltd.

Associated with the railway companies in the development of air services are coastal shipping companies, including Coast Lines, Ltd., the Isle of Man Steam Packet Co., Ltd., David McBrayne, Ltd., and the North of Scotland, Orkney and Shetland Steam Navigation Co., Ltd. During the war, inland air transport has been restricted, and the services still permitted are operated by five of the concerns under the general direction of the Associated Airways Joint Committee, on which each of the companies is represented by one of its directors. The few available aircraft in service—some 21 machines—are pooled and their maintenance is under central control to ensure the best use of the limited equipment. Despite wartime restrictions, however, the air services associated with the railway companies operated during the past three years 4 million aircraft miles, carried 163,000 passengers and some 4 million pounds of urgent mail and freight. After the war, it is understood, the railways wish to go further afield and provide air services to the Continent for those who no longer wish to use their ships. There would seem to be very little reason why they should not do so. The co-ordination of different forms of transport is all to the good, and it is evident that the railways have neither the wish nor the power to treat civil aviation as they treated the canals.

Gamblers Getting Out

The weakness of equities, which began to be manifest in the second week of October, gained momentum during

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable December 15, 1943, to shareholders of record at the close of business, November 15, 1943.

By Order of the Board,
Toronto, J. R. BRADFELD, Secretary.
November 4, 1943.

the first third of the current month. Every scrap of good news from the war fronts seemed to add to the number of those who wished to take profits or increase their liquidity. The result is, according to the index of *The Financial News*, a fall in value of industrial equities of 2.15 per cent in seven working days and one of virtually 6 per cent in five weeks from the October peak. The index is now back to the level of four months ago. So far as can be judged the falls have been heaviest in the securities which improved most and which gave the lowest yields. This invites the explanation that doubts are arising whether EPT will be removed, or at least whether the authorities will not impose some device for levelling out profits from different types of enterprise. There is, however, no indication that any such thought is the motive for the sales, which seem to arise from a widespread determination on the part of operators, both within the market and among the public, to sell all equities which show a profit. The argument, so far as there is one, is that there are so many uncertainties that it is better to be liquid until the intentions of the authorities are revealed. At the beginning of the fall, some five weeks back, the jobbers were mostly short of stock. Recently they have found the supply coming in with embarrassing speed, and it is due as much to their desire to avoid taking more stock on their books, as to any increase in selling, that the rate of decline has been accentuated. In the middle of this week there was a distinct pause in the selling, which may be the first sign of a turn in the tide. With the general level of equities down some six points per cent in some five weeks, and many shares down twice as much, it is difficult to believe that there will not soon be a substantial number of buyers prepared to back their own estimate of the course of events in the immediate post-war period. In this connection the Prime Minister's Mansion House speech contained at least two matters of interest. He suggested that the war is likely to last considerably longer than some speculators appear to believe, and he created the impression that he is personally more concerned with reconstruction than has hitherto appeared possible.

Store Company Prospects

The recent general fall in equities has not spared the shares of store companies, and although these are in most cases still no lower than they were six months ago, the general level of industrial shares was, according to the figures of *The Actuaries' Investment Index*, still some 3.8 per cent up on that period at the end of last month and has probably not yet lost the whole of that improvement. The one notable exception to the rule in the case of stores is Woolworths, and this is significant, because Woolworths is the one store which, without a more radical departure from peacetime policy than it has yet made, cannot enter the luxury market. True, profit margin may be considerable and the limits placed on the price range have been much relaxed, but it is still not catering for a real luxury trade. In a lesser degree this argument applies to Marks and Spencer. For these stores the progressive limitation of supplies must, it would seem, reduce profits still further for the time being. But when one leaves the field of the chain store and enters that of the department store, there is a possibility that the threatened fall in profits will be delayed even longer than seemed probable six months ago, when the long-term outlook for stores in general was considered in an article in *The Economist* of May 29th. Reports of London companies, relating to periods after the middle of the year, have shown an astonishing power to maintain, or even to increase, gross profits. Turnover in goods must have fallen substantially compared with a year before and the Board of Trade figures of retail trade show a decline in non-food sales of 6.2 per cent for the eight months February to September inclusive, against virtual stability for the preceding twelvemonth. But the London stores have, even

according to that index, been doing relatively better than any others, and most of the quoted securities in the department store group are those of concerns whose main business is in London. It seems to be the case that so far clothes rationing has more and more stimulated people to buy what is expensive rather than what is cheap, in the hope that the expensive article will be more durable than the other. Scarcity of coupons, coupled with a plethora of cash, could scarcely have any other effect. The stores, both those who normally cater for the luxury trade and those which in the past attempted to produce "cheap" imitations of what was considered the real thing, have not been slow to cater for this taste for the costly and are probably making very large profits on all those luxury articles on which the profit margins are not controlled. The short run post-war outlook for the companies appears excellent. In so far as there has been any special selling of stores shares it is, presumably, based on the fact that the average yield is considered too low. At the end of last month it was 3.30 per cent against an average for all industrial equities of 4.35 per cent.

Investments v. TDR

The clearing bank statement for October, which is published in detail in the Records and Statistics section, discloses that Treasury deposit receipts at £1,135 millions—an increase of £90,500,000 over the previous month and the highest figure yet recorded—bid fair to overtake investments, now standing at £1,158,133,000, as the largest item in the banks' assets. Bills discounted registered the substantial decrease of £27,711,000, compared with the September figures and are now at their lowest since last May and £95 millions below the October 1942 figures. The weekly issue of Treasury bills, however, was increased from £90 million to £100 million in the first week of October and remained there until the end of the month. The banks' low holding must, therefore, mean that the discount market is carrying more bills in its own portfolio; this is borne out by the increase of £3,355,000 in money at call. The reduction in bills also reflects the heavy sales effected through the agents of the Bank of England during the latter part of October, when window dressing was in full swing. Advances show a welcome upward tendency, but it is doubtful if this comparatively slight increase can be looked upon as the beginning of a consistent trend. Total assets have now passed the four billion pounds mark. Deposits at £3,812,688,000 exceed the September figures by more than £75 million.

Argentina Repatriates Gold

Indications of an increasing coolness in the relations between Argentina and the United States are not lacking in the financial sphere. Last week came news of the blocking of the dollar assets of the Banco de la Nación and of the Banco de la Provincia de Buenos Ayres, two official Argentine institutions. This week it has been announced that Argentina is withdrawing from the United States the whole of the gold kept earmarked for its account in that country. The amount in question is 850,000,000 pesos, equivalent to £50,000,000, and is the product of the exceptionally large surplus of Argentine exports to the US over imports from that country which has accumulated since the beginning of 1942. The Argentine trade balance for the first eight months of this year showed a surplus of exports of 652,404,000 pesos, compared with 310,063,000 pesos and 237,221,000 pesos in the corresponding periods of 1942 and 1941 respectively. The surplus accruing in the shape of US dollars has apparently been automatically converted into gold and this metal is now being taken home. The other main symbol of Argentina's export surplus has been the volume of sterling accumulating for the most part in the special account in London. There is no provision whereby this sterling can be immediately converted into gold, but it has the protection of a gold clause. The official communiqué issued in Buenos Ayres, with the news that some of this blocked sterling would be used to repatriate sterling debt, gave further information on the size of these blocked sterling funds. On September 16, when the announcement was made, the balance in the Banco Central's special account amounted to £42,800,000, and it was then estimated that the credit would have risen to £55,000,000 by the end of this year, without allowing for the debt repatriation which would mop up some £16,000,000 in the near future and a further £9,000,000 in February, 1944.

Gold Sales in India

The scale of official sales of gold in the Bombay bullion market has recently been increasing, and the policy of the authorities in thus implementing the recommendations of the Gregory Committee on Foodgrain Supplies is now taking clear shape. The Gregory Committee suggested that:

though it would be preferable to supply the cultivator with goods which he needs, whether as producer or consumer (in order to induce him to sell his surplus grain), yet if the supply of these cannot be increased adequately, it would be advisable for the Government to secure supplies of the precious metals for sale to the cultivator.

Official sales of gold in the Bombay market began about a month ago, but it is only during the past fortnight that they have attained any size. The gold is sold through the Reserve Bank, and at present such sales are not being made below a price of Rs. 78 per tola, which is equivalent to £15 12s. per fine ounce. On October 20th the Bombay gold price was Rs. 86/7, and it was at this point that the Reserve Bank's sales began to affect the market. The quotation declined steadily until it reached Rs. 77/13 on Thursday of last week. At this point the official sales of gold ceased and a recovery to Rs. 78/6 occurred. The daily turnover in the Bombay market last week reached 50,000 tolas, or about £300,000, and, as the selling has been provided almost wholly by official quarters, the gold being pumped out into the open market is beginning to reach substantial proportions. The returns of the Reserve Bank make it quite clear that, though the official sales are handled by the Reserve Bank, it is not Reserve Bank gold that is being sold. The only alternative gold available for these official operations is newly mined metal, and it is probable that South African gold is being made available through special arrangement with the British Treasury. If the Government of India were buying such gold, it would pay for it out of the accumulated sterling resources of the Reserve Bank of India, and, in fact, the last three weekly returns received from that institution show a decided diminution in the rate of increase of these sterling assets. By diverting gold in this direction, not only is the problem of India's excessive sterling reserves being attacked—albeit in comparatively modest terms—but gold is being sent up country and may induce much-needed unloading of stored grain.

Second Thoughts in Chemicals

A year ago Mr C. M. Merriam, as chairman of the Association of British Chemical Manufacturers, invited the views of members on these subjects:

Whether it is desirable for membership of a trade association, such as the ABCM, to be compulsory for all firms in the industry; whether such an association should be in a position to enforce its decisions; whether it should exercise control over production and prices.

At this year's annual meeting Mr Merriam reported that the great majority of members were "strongly averse" to compulsory membership of a trade association and granting of compulsory powers. He said no more about the control of production and prices. Indeed, he went much further. It appeared to him not "beyond the bounds

Important Notice to our Sherry Customers

FINDLATER'S FINO, well-known to Sherry drinkers all over the World, will in future be known as

FINDLATER'S DRY FLY SHERRY

The reason: Findlater's Fino cannot be registered and protected from imitations under that name. FINDLATER'S DRY FLY is registered, ensuring protection for our customers throughout the World.

FINDLATER, MACKIE TODD & CO. LTD.
Wine Merchants to H.M. the King 92 Wigmore Street, W.1



of possibility" that, if an industry receives special help from the Government in the shape of protective tariffs, import quotas, guaranteed prices or in other ways, it may expect some kind of Government control or supervision in order to ensure that assistance is not abused. He therefore advised members of the chemical industry to undertake a thorough overhaul of their firms in order to improve their efficiency; it would be necessary to consider what plant should be scrapped, what new processes adopted, and what additional funds could be allocated to research, to examine the possibilities of co-operative research and marketing, to review export marketing methods, and the education of chemical workers. Clearly, Mr Merriam's second thoughts are different from those that might be inferred from last year's questionnaire. They suggest a significant change in attitude of mind, significant because the tide of public opinion is beginning to grow strongly against restrictive practices.

* * *

Steel Survey

On behalf of the combined Steel Committee (a joint committee of the Combined Raw Materials Board and the Combined Production and Resources Board) an Anglo-American mission has made a special survey of the production and use of steel in several of the Dominions, in India, and in the Middle East. The objects of the survey were to ascertain, first, whether lend-lease shipments to these countries, as well as locally produced steel, were used for essential purposes, and, secondly, whether they made the best possible use of their own steel-producing capacity. The mission drew attention in its report to the progress made in the control of steel supplies, but its recommendations suggest that a closer alignment of practice in the Dominions with that in Great Britain and the United States has been found desirable. First, the mission advocates the establishment in Great Britain of a clearing-house of information on the British and American steel controls for the benefit of the Dominions. Secondly, it suggests that the Dominions should report to this organisation any economies they have been able to make. Thirdly, it recommends that, in order to save shipping space and to reduce their steel demands upon Great Britain and the United States, Dominions with surplus capacity might assist in meeting the needs of others. Lastly, it suggests that on the completion of the standardisation of the steel controls in the Dominions steps should be taken to improve the machinery by which their steel requirements are submitted to this country and the United States. The British countries round the shores of the Indian Ocean have greatly increased their metallurgical capacity during the war. It is only common-sense that both their production and their requirements should be regarded as part of the great integrated scheme which it is the duty of the Combined Boards in Washington to manage.

* * *

Three Million Tons of Copper

The Copper Development Association, formed ten years ago by the leading Empire copper producers to stimulate the use of copper in industry, has now held its annual meeting. In view of the wartime expansion of the world's copper-producing capacity and the prospect of keen competition from other metals and plastics, the meeting, not unexpectedly, reached the conclusion that after the war the copper industry would require the backing of all the research and development that could be brought to bear. In this work the Association, in co-operation with similar institutions in other countries, including the efficient United States Copper Institute, can play an important part. Copper production has risen steadily since the beginning of this century. In 1900 world production was slightly less than 500,000 metric tons; at the outbreak of the last war it was 1,000,000 tons, and by its close another 500,000 tons had

been added to capacity. In 1939, the world's copper mines were capable of producing close on 2,500,000 tons a year, and at the end of this war their annual productive capacity is likely to exceed 3,000,000 tons. The rapid expansion in supplies during the past four decades is a reflection of the useful properties of copper, amongst which the excellent conductivity of heat and electricity, its resistance to corrosion, and the easiness with which it can be worked, are the most important. In peace copper is used in almost all branches of industry; hitherto the electrical industries have absorbed the greater part of supplies. During the inter-war period, however, the transport industries—with motor cars ranking first—and the building trade made rapid headway as copper consumers, and in the years preceding this war accounted together for over one-quarter of total consumption. Besides the older outlets, these new ones offer scope for further expansion. There are numerous smaller fields in which copper may find opportunities for increased application. Indeed, it is by no means impossible that, within a comparatively short period after the war, world consumption of copper will reach or even exceed 3,000,000 metric tons, especially if copper producers succeed in keeping their prices on a competitive basis. As the production of copper at low cost has been greatly expanded during the war, producers should have the opportunity of meeting this basic condition for expanding consumption.

* * *

Mishandled Publicity

At the beginning of last week the chairman of the International Nickel Company of Canada, Mr Robert C. Stanley, made a statement, apparently in Montreal, to the effect that the earnings of the third quarter amounted to 45 cents per common share—compared with 52 cents in each of the two preceding quarters—that the fourth quarter showed no improvement and that it might be necessary to reduce the dividend next year. Under wartime conditions this statement took forty-eight hours to reach the newspapers of this country, and even then only by news services which are not universally taken. On Tuesday last week the price fell three points in Montreal, New York being closed. With the reopening of Wall Street on Wednesday the quotation dropped there two points, but it was not until Thursday that the adjustment took place in London, when the fall was 3½ points. In view of the extensive holdings of these shares in both the UK and the USA, it seems that the most elementary principles of justice should have suggested a simultaneous release of any statement in the three countries. In this particular case, where the statement announces a further sharp fall in net earnings, the procedure adopted appears particularly unfortunate. Since the cat had been let out of the bag by the chairman's statement, it is possible to maintain that the release of the details of the usual quarterly statement lost some of its importance. It is, however, alarming to discover that, although publication was arranged for yesterday, copies of the return were available in London—and actually enjoyed a limited circulation in the market—on Thursday, November 4th. Granted the difficulties of wartime transport, there would appear to be no reason why the chairman's statement should not have accompanied the quarterly report or why arrangements should not have been made for simultaneous release in all three countries. As to the actual figures, trading profit, which had risen until it reached a peak of \$US19,833,000 in the fourth quarter of last year, has fallen quarterly since then, and last quarter dropped over \$US1,500,000 to under \$US16 million. In the first quarter of this year the net profit suffered a fall of \$US850,000, while it was maintained in the second and experienced a further drop of \$US1,030,000 in the third, owing in large measure to the fact that the tax charge fell less rapidly than the gross figure.

* * *

Debentures Into Ordinary

A further instance of the repayment of debenture capital by the issue of ordinary shares to existing holders, that of Joshua Hoyle, suggests that there exists a fairly widespread belief that less capital will be required after the war. In this case, as in the others, the offer is made on such terms that the cost of maintaining the dividend is fully covered by the saving in interest and sinking fund. Indeed, in this instance, as the sinking fund is heavy, there is an appreciable margin to spare. But a sinking fund is not just a current expense. It improves the capital structure. Further,

"THE NEXT ITEM IS THE HEATING SYSTEM..."



Fortnightly meetings of a works' Fuel Efficiency Committee

"THAT'S A JOB FOR OUR FUEL WATCHERS"

"Even in a mild season, room heating can run away with a good slice of our fuel. We know from what we've read in the Fuel Efficiency Bulletins that much can be done without making working conditions uncomfortable.

"We are now putting in thermostatic control throughout the factory, but until this is fixed the heating system must be the fuel watchers' job. We know the minimum temperature we need, and it's up to the fuel watchers to keep an eye on the thermometers. The important thing to ram home is this: *If the temperature rises only one degree higher than we need, we may be wasting no less than 5 per cent. of the fuel used.*"

Here are the pointers they gave their fuel watchers:

- Check the room thermometers at least four times in every shift:
- See that doors are not left open needlessly, and that somebody isn't opening windows just to cool the place down:
- To hold back a rising temperature, turn down the radiator valves or switch off the unit heater fans (but do not forget to shut off the unit heater steam as well or else heat will be wasted through the roof):
- Shut off the whole system towards the end of the shift, and put on again 15 minutes before the next shift starts.

Without proper control a works' heating system can be a real fuel waster. If you have not yet put in the thermostatic control, see that your fuel-watching team controls room temperatures. If you need advice, get in touch with the Regional Fuel Efficiency Committee.

Saving is certain through planned Fuel Watching

The Ministry's Regional Offices are at:—

GLASGOW • NEWCASTLE • MANCHESTER • LEEDS
BIRMINGHAM • NOTTINGHAM • CAMBRIDGE • CARDIFF
BRISTOL • READING AND LONDON

ISSUED BY THE MINISTRY OF FUEL & POWER

Do your own lending

Not one of us, in the Country's present need, would wish to place his personal responsibility on to the shoulders of another.

Let us not then be content with delegating to our bankers the vital duty of lending our money to the state.

Every unnecessary pound you keep at the bank is an assertion of your right to spend instead of a token of your willingness to lend. Only you can enlist your money fully in the nation's service. Ask your bank to convert all you can spare from your bank balance into

3% Savings Bonds 1960-1970
2½% National War Bonds 1952-1954

Issued by The National Savings Committee

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,
C48, TUITION HOUSE, London, S.W.19.

as the yield on the ordinary shares of Joshua Hoyle is under 5 per cent, it is evident that an increase in dividend is anticipated. Evidently, as soon as the cost of the dividend on the new ordinary capital exceeds the saving on the debenture issue, the prospects of the old ordinary shareholders are damaged by the operation. It is, of course, possible that all three companies, Dorman Long; Richardsons, Westgarth; and Joshua Hoyle, are repaying loan debt in the expectation that they will later be able to borrow more cheaply, but if that is so, the holders of the old equity are paying a high price for a moderate saving unless there is every assurance that a sharp expansion in business is to be looked for. The price is particularly high in the latest case since, after the operation, there will remain only the ordinary shares and a small quantity of short-term notes. Evidently, however, if the company expects to pay smaller dividends than those now current the conversion is an advantage to the old equity holders, and one would normally assume that boards would only engage in such an operation if it would benefit the existing equity. But there is abroad at present a dislike of fixed charges which accumulate arrears during periods of depression, and with this goes a desire to finance companies solely by the issue of ordinary shares. Such an outlook is unlikely to survive even a short period of reasonable prosperity, but at present it undoubtedly exists.

Argentine Estates Prospects

Although the total gross weight production of sugar fell again in 1942, this time very heavily from 28,762 to 15,958 tons, Leach's Argentine Estates suffered a fall in trading profit only from £189,388 to £176,658 for the year to March 31st last. This makes it possible to maintain the 6 per cent dividend, but the transfer to reserve is reduced to £18,231, while there are drafts upon it, to cover exchange loss on dividends remitted and by transfer to the reserve to cover the depreciation of net assets held in Argentina, of £24,067. It is estimated, however, that current exchange requirements will involve a loss of only £16,000. The fall in the sugar crop was due to the most severe frosts for many years, which affected equally the citrus and banana crops, although losses on these were offset by a rise in the price of timber—the company's other subsidiary business—due to the international situation. The "not unsatisfactory" profit for the year was helped out by the sale of 13,000 gross weight tons of sugar of the 1941 crop, which results in a drop in stocks of sugar and alcohol from £195,819 to £59,302. This is not serious in view of the fact that the 1943 crop is proving much more satisfactory than its predecessor, and is estimated to yield 26,000 tons. Unfortunately this has little relation to the long term prospects of the company. Variation in the yields of crops for climatic reasons will continue indefinitely. What is required is a change in the politico-economic background. Since the date of the accounts a strike of temporary crop labourers has forced a 10 per cent increase in their wages, and cost of materials and equipment has also risen. The 1942-43 profit was helped by a slight rise in selling prices, but, following the recent political changes, sugar prices have fallen. Further, there is still no improvement in the exchange position. Despite the better crop, the chairman is not hopeful about sugar profits for the current year, unless the Committee, appointed by the Government to investigate costs of production, secures a "legitimate adjustment of the selling price in the producers' favour." Unfortunately, it is difficult to believe that, even if the Committee finds in favour of the producer, the Government will necessarily implement its findings. The future of all Argentine concerns under oversea ownership appears to be bound up with the resolution of the political problems, both domestic and external, with which the rapid changes of recent decades have faced Argentina.

A Scottish Ordnance Factory

The thirteenth report of the Select Committee on National Expenditure reveals a disturbing state of affairs at a West of Scotland engineering factory. The factory was built and is owned by the Ministry of Supply, but is operated for the Ministry by a private firm, as one of a group. It has two distinct parts—a steel-making side and an ordnance side, but the Select Committee's criticisms relate solely to the ordnance side. As disturbing as the descrip-

tion of the factory's unsatisfactory production record and low efficiency is the account of departmental delay in dealing with a situation which had been causing concern for a long time, and the complete lack of co-ordination between the various interested departments, each of which has shown a "tendency to look upon themselves as being quite separate entities." The Committee admits that the factory was handicapped by having been laid out for a larger type of gun than is now in production and was affected by changes in the production programme. But even allowing for this disadvantage, production was unnecessarily slow and costly. The number of man-hours taken to manufacture a certain gun barrel were 66 per cent more than at the best Royal Ordnance Factory, and, taking into account the machinery difficulties, at least 23 per cent more. The Committee also states that wage rates were fixed too high. The factory's labour consists in part of skilled men drawn from the firm's parent factory, but mostly of unskilled older and immobile labour. The rate of absenteeism is abnormally high—more than 12 per cent and on Saturdays rising to 40 per cent. Industrial relations seem to be unsatisfactory; the lack of co-operation is illustrated by the fact that the production committee had not met since March. The Committee does not attempt to apportion the blame, though it observes that the management has been high-handed and the shop stewards difficult. The solution recommended in the Select Committee's report is the closing down of the Ordnance section. This proposal has occasioned concern in Scotland.

Training for Mechanised Mines

A training scheme in connection with the drive for increased mechanisation of the mines is being started by the Ministry of Fuel together with the Ministry of Labour. With the introduction of new equipment and machinery of American type—much of the machinery is actually coming from the United States under the Lend-Lease agreements—it is essential that there should be sufficient numbers of properly trained men available, especially as it is a condition of the Lend-Lease agreements that the mechanised units should be worked on a double shift system. A special centre is being set up in Sheffield and the first course, which will start in the middle of November and last from three to four weeks, will give training in maintenance. The course will accommodate about 24 men at a time and the twenty or so concerns which are about to introduce American methods have been invited to send in nominations for training; the men will return to their collieries not only to look after the new machinery, but to train other men in handling it. The second object of the training centre is to provide for young miners to become shift maintenance engineers or coalface machinery engineers by giving them an intensive course in electrical and mechanical engineering, with special regard to the types of equipment used at the coalface. This course, which is to start in January, will last about six months and will deal with about 300 men. Managements are being asked to select young men with at least two years' experience below ground, with some mechanical aptitude and suitable character. Finally, it is proposed that the centre should provide training for selected new entrants with previous experience of mechanical or electrical engineering, when they have completed their initial training at a Ministry of Labour mine training centre. After a month or six weeks' training, the men would be attached to colliery electricians or mechanical engineers as their assistants, until they are capable of working on their own. These men would have their wages and expenses paid by the Ministry of Labour during the training period; in the first and second groups, the employers would pay the wages on condition that the trainees agreed to return to their employment after training. This scheme is very welcome—if anything it is overdue—and it is to be hoped that managements, the unions and the trainees themselves will co-operate to make it a success.

Food Standards

Scarcity is the happy hunting ground of the profiteer whose devices include the "corner" and the marketing, at high prices, of inferior substitutes. But when he makes his appearance on the food market, the public requires protection. This is the job of the Ministry of Food, which is responsible for providing the public with a supply of food which is adequate in quantity and satisfactory in quality. On the whole, the Ministry has been successful in ensuring

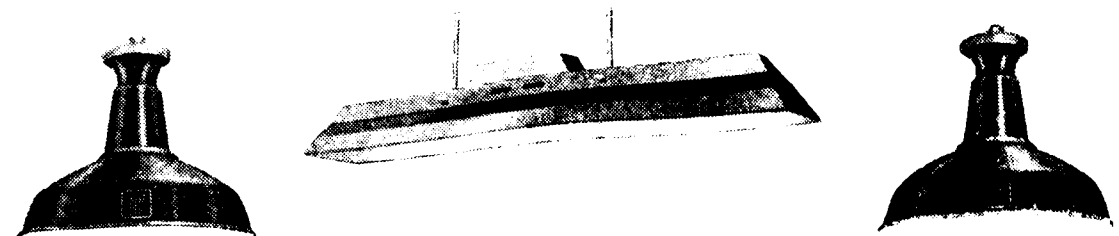
SHOW THEM THE TOOLS

The best of tools are not alone sufficient to ensure the best production. The best of workers handling those tools still need the right working conditions if they are to produce the results expected of them; in particular they need to be able to see both clearly and easily everything that they have to do. Industrial lighting, in which Benjamin are the outstanding experts, is of the greatest importance in achieving quality and quantity in output.

Almost every movement made by a worker is controlled by sight and any difficulty experienced by him in seeing is reflected and magnified in inaccuracy or slowness of movement. One of the first steps necessary to avoid waste, whether it be of material or of time, is to make sure that the lighting in factories is both adequate and suited to the particular circumstances of every operation.

To-day when the skilled workers of industry have been diluted by many recruits lacking the knowledge and experience of the older hands it is all the more important to ensure for them the right conditions so that they can acquire the requisite degree of skill or practice. Lighting of the right kind and to the right degree is the most outstanding feature of these conditions.

Benjamin provide industry with a lighting service backed by many years of experience in lighting factories of every size and type all over the world.



BENJAMIN LIGHTING

FLUORESCENT — DISCHARGE — FILAMENT

The Benjamin Electric Ltd., Brantwood Works, Tottenham, London, N.17

Telegrams: "Benjalect, Southlot, London."

Telephone: Tottenham 5222 (5 lines).

fair distribution of limited supplies of food at reasonable prices. And, as the White Paper "The Labelling and Advertising of Foods" (Cmd. 6482) issued this week shows, it is determined to protect the public from being offered inferior or harmful substances "marketed" with the assistance of misleading labels or advertisements. To this end the Minister will use some of the powers already conferred upon the Minister of Health and the Board of Trade. The Food and Drugs Act, 1938, enables the Minister of Health to stipulate the manner in which foods are to be labelled and to regulate their composition, and the Sale of Foods (Weights and Measures) Act, 1926, empowers the Board of Trade to prescribe the labelling of pre-packed foods, with an indication of their weight or measure. By the recently issued Defence (Sale of Food) Regulations (S.R. & O., 1943, No. 1553), the law has been strengthened to enable the Minister of Food to prevent the exploitation of scarcity by unscrupulous persons. The Minister of Food will issue Orders prescribing standards for foods as the need arises. To secure the necessary expert advice he has created an advisory committee, consisting of representatives of the Ministry of Food, the Ministry of Health and the Government Chemists' Department, and of public analysts nominated by the Society of Public Analysts and other analytical chemists. Consideration is to be given, as hitherto, to responsible trade opinion. Moreover, it is proposed to require by Order that, in general, pre-packed foods shall bear a label showing, (a) the name and address of the packer, (b) the common or usual name (if any) of the food, (c) the minimum quantity of food in the package and (d) the common or usual names (but not the proportions) of the ingredients of the food. The tightening of control by laying down quality standards where desirable and by insisting on a proper description of pre-packed foods was overdue, not only as a wartime measure, but as a necessary reform in peace.

West African Currency

The report of the West African Currency Board for the year to June 30, 1943, reflects the continued currency hunger of the colonies in question. During the year the Board issued £6,190,500 of currency in West Africa against payment in sterling in London, following issues of £4,192,000 in 1941-42. In both these years no currency was returned to the Board's stocks in exchange for sterling payments in London. The circulation of notes rose from £4,198,380 to £6,811,486 during the year. The actual shipments of currency to West Africa have been on a larger scale than these figures of currency issue suggest, the coin alone sent during the year totalling over £6,000,000. The Board has been called upon to meet an exceptional demand for currency, and due care has been taken to maintain local stocks. The demand has been particularly heavy for shilling pieces and low value coins. At the close of the 1942-43 year, demands for currency still continued, and steps have been taken to meet expected heavy requirements for new currency during the year 1943-44. The heavy demand for currency in British West Africa is explained

in the report of the Currency Board as resulting mainly from the purchase and exportation of local commodities for use in connection with the war effort and to military expenditure. It is also attributed to hoarding, consequent upon restrictions on imports which have reduced opportunities for spending. The stimulus to exports and the accompanying restrictions on imports are also reflected in the assets of the Currency Board. On June 30, 1943, these assets included sterling securities of a nominal value of £23,179,275, this item showing an increase of £6,200,000 over the preceding year. The Board subscribed £4,000,000 to new war issues during this period. In addition to these sterling securities, the Board had on current and deposit account £3,293,517 on June 30th last, compared with £3,197,767 twelve months previously. The economic impact of the war on the West African dependencies thus matches on a modest scale that observed in other parts of the sterling area, notably in India. Since June 30, 1939, the sterling assets of the West African Currency Board have risen by £12,051,000, thus approximately doubling themselves.

Fruit Production

The foods the lack of which is most felt in the wartime diet are meat, eggs, fats and fruit. The last has been a "Cinderella," since it cannot be considered an essential food. The average imports of fruit in the years 1934 and 1935 were 2,432,000 tons, or 77 per cent of total consumption, which was nearly 2½ lbs per head per week. Perhaps the most popular fruits were citrus fruits, with an average consumption of 110 per year, apples, 100 a year and bananas, 60 to 70. About half the apples were home-grown. Imports of fruit were stopped in 1940, except for small supplies of oranges for children, and only home-grown fresh fruit has been available for general consumption. It has been greatly missed from the diet, and the Minister of Food has realised that fruit has at least a psychological value in adding variety and flavour to a somewhat monotonous diet. Although English fruits, apart from blackcurrants, have a poor vitamin C content—citrus fruits are the richest source—the Government has decided to encourage the increase in production. Orchards have been classified either "A" (excellent), "B" (room for improvement) or "C" (derelict). Some "B" orchards have become "A"; derelict orchards are improved where possible, or grubbed, and the land turned over to other crops. Research has played a decisive part in increasing war-time production. Thinning, spraying with insecticides and fungicides, and the use of fertilisers are the first means adopted to improve orchards. Thinning and spraying are done by the Women's Land Army. Since no more land can be allowed for fruit growing, an increase in supplies can only be achieved by raising the yields of existing orchards and fields. There is a large body of information which has been obtained by research, and the county technical development committees of the county war agricultural committees are taking the improvement of backward orchards under their wing.

supply and, undoubtedly, the scarcity will be further accentuated in the near future. Our future policy and plans will be affected by the discoveries of new materials and new adaptations resulting from the exigencies of war, and therefore we must and will apply to peace-time conditions the lessons we have learned in war-time.

The chairman moved the adoption of the report and accounts.

Mr Isaac Wolfson (managing director) seconded the resolution and, after the chairman and the managing director had replied to shareholders' questions, it was put to the meeting and carried unanimously.

The retiring directors, Sir Archibald Mitchelson, Bt., Mr S. Sussmann and Mr J. L. McAdam, were re-elected; the auditors, Messrs Deloitte, Plender, Griffiths and Co., were reappointed, and the proceedings terminated with a vote of thanks to the chairman.

HARRISONS AND CROSFIELD, LIMITED

Mr. H. Eric Miller, the chairman, in his review states that although the cessation of the company's activities in Malaya, the Netherlands East Indies, British North Borneo and parts of China has had an adverse effect on earning capacity, the net profit of £241,709 indicates that other sections of the business have been particularly well employed. A final dividend of 7½ per cent. on the deferred ordinary stock is recommended, making 10 per cent. for the year.

The review shows how India and Ceylon have risen to the occasion and provided maximum crops of tea and rubber. Mr. Miller defends Ceylon producers against the false charge that they have not been turning out as much rubber as they could, and regrets that those accusations are made without any serious effort to check their accuracy.

COMPANY MEETINGS

GREAT UNIVERSAL STORES, LIMITED

ENCOURAGING RESULTS AND PROSPECTS

IMPRESSIVE PROXY SUPPORT

SIR ARCHIBALD MITCHELSON'S SPEECH

The adjourned twenty-fifth ordinary general meeting of the Great Universal Stores, Limited, was held, on the 9th instant, at Winchester House, Old Broad Street, London, E.C.

Sir Archibald Mitchelson, Bt., the chairman, presided.

The secretary (Mr L. A. Renshell) read the notice convening the meeting and the auditors' reports.

The Chairman said: Ladies and gentlemen,—This is the twenty-fifth annual general meeting of our company called for September 28th and adjourned to this day for reasons of which you are fully cognisant. I hope you will agree to take the directors' report as read. (Agreed.)

You have already had an unusual amount of detailed information supplied to you, and I would hesitate to burden you with any further remarks were it not for certain comments in the press in relation to the affairs of our company.

RESULT OF VOTING

Let me begin by imparting the information to you which, no doubt, you are most interested to know—namely, the result of the voting by shareholders which your board has invited. We have had over 2,000 proxies, representing 1,073,000 stock units, in favour of passing the accounts, and only 162, representing 62,400 shares, against; a majority of 1,010,600 stock units.

I venture to suggest that if any testimony were needed from our shareholders regarding the conduct of their affairs by your board, nothing could be more eloquent than the figures I have quoted.

CONFIDENCE IN THE BOARD

May I therefore say that your board is much encouraged by this impressive vote of confidence, and you may be assured that no effort will be spared in the future as in the past to further develop and consolidate the success achieved by the company.

In so far as the general body of our shareholders is concerned—and I am not unmindful of the fact that our first duty and main concern lies in giving them full satisfaction—there would be little more to say, but being a public company whose wide-flung activities do necessarily attract public notice, I feel I must say a few words to clear up some of the points raised by the press relative to the subject matter of our circular dated October 25th.

On the whole the press has shown praiseworthy understanding of the problems involved, but more information was asked for to enable a full appreciation to be made of some of the complex matters which passed under review. It was argued, for instance, that if the businesses acquired by your company had been named, it would have been easier to judge of their respective merits. That may be so, but I can assure you that most careful consideration was given to this particular matter, and only after consultation with our experts, who have to attend to our daily problems, was it decided that the best interest of shareholders was being served in withholding these names. We have since again weighed the pros and cons and feel our decision was right, more particularly in the light of the ever-growing keen competition met with nowadays.

Then comes the question whether, in valuing the shares of a company, the book values figuring in the balance-sheet should

be taken as a guide, or should the assets be independently appraised. We have considered both, and chosen the method more advantageous to your company. Independent advice is invariably secured in support of transactions entered into by your board.

JAYS AND CAMPBELLS (HOLDINGS)

Why was the option to re-sell the preference shares mentioned in transaction 7 only recently exercised? The reason is that, due to the acquisition of the ordinary share capital of Jays and Campbells (Holdings) Limited, our group requires more cash, and that was one of the most convenient ways of raising some part of it.

I may add that this purchase, which involves nearly £1,200,000, will be financed in the main out of our current resources, but the major portion of the cash purchase consideration is not due for another year. For the time being, therefore, it is not contemplated to create or issue any securities in our company or in any of its subsidiaries.

With the addition of this strategically located chain of distributing units the company stands to benefit very materially, and I feel confident that this acquisition will prove most valuable, especially in the post-war era. (Hear, hear.)

RECORD PROFITS

And now, ladies and gentlemen, let us turn to our more immediate business already too long delayed—namely, the consideration of our past trading results and prospects for the current year. Both are highly encouraging. In my remarks attached to the balance-sheet I have briefly dealt with the salient features of our trading position and the record figures of profits achieved by our group for the past year.

Seven months of the current year have already gone by, and I am glad to say that if there is no unexpected setback during the concluding period of the year our results should be at least equal to, if not better than, those incorporated in the accounts before you.

COMPOSITION OF THE GROUP

As I informed you in my recent letter, your group comprises 340 branches and will employ in normal times some 20,000 people and cater for over 4,000,000 customers, with the watchword always well before our eyes to supply the "best merchandise at the lowest price."

There are limits to every expanding organisation dictated by sound business principles, and it is certainly not our intention to infringe upon these; but, on the other hand, we see no impediment to building up an organisation in this country such as there are in America in our line of trade, and whose names have become household words.

That, ladies and gentlemen, is our goal, and I hope you will agree we have already travelled a long way towards it, and I think you will agree that this is wonderfully satisfactory when you bear in mind the problems with which we are surrounded. (Applause.)

I conclude by thanking shareholders for their attendance here today, and I express the hope that when we meet again next year we may do so in happier circumstances and with the nightmare of this world war well behind us. (Hear, hear.)

Report and accounts unanimously adopted.

Vote of thanks to the chairman and the board passed with acclamation.

EXTRACTS FROM REPORT

The following are extracts from the statements of the chairman and the managing director circulated with the report and accounts:—

The combined trading profit for the year amounts to £722,648, compared with £685,602 in the previous year. Your directors are pleased to recommend a final dividend of 7½ per cent., free of tax, making a total for the year of 10 per cent., free of tax, which is the same net distribution as last year. The cash position as shown in the consolidated balance-sheet, including Government securities and tax reserve certificates, continues to be adequate at £729,085, and the volume of stock is satisfactory. The sound financial position of your company has been fully maintained. The charge for taxation of £439,424 substantially provides tax in full on the profits earned during the year under review.

GOVERNMENT CONTROL

Government control, as you are aware, now extends to almost every phase of commerce and regulates both selling prices and profit margins, including the rationing of raw materials and the direction of manpower. If then, in spite of these heavy handicaps, our organisation has not only stood the test of four difficult years of war trading but has gathered strength, expanded steadily, and acquired added goodwill, it gives us every justification to view the future with well-founded hope of further success.

In the opinion of your directors it is of first importance to be effectively prepared for post-war conditions. Accordingly, we are now investigating new sources of and avenues for fresh business, together with new methods of production and selling, with a view to meeting the requirements

(Continued at foot of preceding page)

COMPANY MEETINGS—continued

of a post-war public. The members of our staff who are now serving King and country have our admiration. To their families and friends we tender our heartfelt sympathy.

EFFECT OF COUPONS

"People," as Mr Ernest Bevin has put it, "do no longer think about money. They think about points, coupons, and the like." Coupons have indeed become the controlling factor in trading and retailing, so that spending power is no longer limited by the earning capacity but by the ration book. If, in the national interest, the total of coupons issued to the public is to be reduced, it will necessarily follow that the volume of general trading will further shrink.

Essential non-coupon merchandise has, in almost every category, been short in

SHARPENING THE SWORD OF HEALING

Research is in the forefront of the fight against Cancer. Play your part in this Crusade by sending a donation to-day to advance research at the largest Cancer-treating Hospital in the Empire.

CHRISTIE CANCER HOSPITAL AND HOLT RADIUM INSTITUTE MANCHESTER 20

RECORDS and STATISTICS

INDUSTRY AND TRADE

Commodity Insurance Scheme.—The Board of Trade have, with the approval of the Treasury, decided that in respect of the period beginning December 3, 1943, and ending March 2, 1944, the rate of premium payable under any policy under the Commodity Insurance Scheme shall be at the rate of 5s. per cent for three months (or 1s. 8d. per cent per month). The new rate is a reduction of one-third on the rate for the current period.

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

	Nov. 4, 1943	Nov. 5, 1943	Nov. 8, 1943	Nov. 9, 1943	Nov. 10, 1943
Crops	122.9	122.9	122.9	122.9	122.9
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	149.7	149.7	149.7	149.7	149.7

	Mar. 31, 1937	Aug. 31, 1939	Nov. 10, 1942	Oct. 11, 1943	Nov. 10, 1943
Crops	147.9	147.9	147.9	147.9	147.9
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	175.1	175.1	175.1	175.1	175.1

* Highest level reached during 1932-37 recovery.

AMERICAN WHOLESALE PRICES

	Nov. 2, 1943	Nov. 9, 1943
GRAINS (per bushel)—		
Wheat, Chicago, Dec.	158	157
Oats, Chicago, Dec.	76	75
Rye, Chicago, Dec.	114	113
MISCELLANEOUS (per lb.)—		
Cotton, N.Y., Am. mid., spot	20.72	20.28
Am. mid., Nov.	19.81	19.52
Moody's Index of staple commodities, Dec. 31, 1931=100	247.4	243.4

BRITISH WHOLESALE PRICES

	Nov. 2, 1943	Nov. 9, 1943
GRAIN, etc.		
Wheat—		
No. 1 N.Mt. 495 lb. f.o.b. St. J.	50.8	50.8
Eng. Gaz. av. per cwt. (e)	27.9	27.9
Barley Eng. Gaz. av. per cwt. (e)	27.9	27.8
Oats (e) " " "	15.2	15.1
POTATOES (per cwt.)—		
English	5 0	5 0
TOBACCO (per lb.)—		
Rhodesian, stemmed and unstemmed	1 0	1 0
JUTE (per ton)—		
Daisie 2/3 c. and f. Dundee	38/5.0	37/0.0
CHEMICALS—		
Ammonia, Sulphate, per ton	9/16.0	9/16.0

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	95	118	116	+12.6
1941	83	98	99	-14.7
1942	95	104	...	...
1942, Aug.	99	95	92	+ 9.5
" Sept.	99	102	99	- 7.5
1943, Aug.	119	80	78	-34.5
" Sept.	112	113	109	+10.1

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is not included; figures are therefore comparable throughout.
Publication of Indices of Export Sales suspended in September, 1942.
Source: Board of Trade Journal.

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	30 Ord. shares*	20 Fixed Int.†
Nov. 4	5,826	6,899	101.2	134.4	134.4
" 5	5,164	6,819	101.0	134.4	134.4
" 8	5,447	9,119	100.6	134.4	134.4
" 9	5,824	7,606	99.8	134.4	134.4
" 10	5,592	6,255	99.6	134.4	134.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

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

	Low Jan. 9	High July 13	Oct. 20, 1943	Oct. 27, 1943	Nov. 3, 1943
27 Industrials	81.1	103.5	97.1	97.5	95.4
32 Rails	72.6	99.9	92.4	93.5	90.2
40 Utilities	67.9	89.6	87.0	87.2	86.8
419 Stocks	78.5	100.9	95.3	95.7	93.8
Av. yield %	5.36	4.35	4.64	4.63	4.72

* 50 Common Stocks. (a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Oct. 28	118.0	715,000	Nov. 1	117.8	649,000
" 29	117.5	658,000	" 2	117.8	649,000
" 30	117.6	338,000*	" 3	116.4	1,072,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending	Nov. 13, 1943	Nov. 6, 1943	Nov. 13, 1943
To Shareholders only	2,782,491	3,945,600	130,623
By Permission to Deal	70,613	...	...

Particulars of Government issues appear on page 661.

Yearly

1943: 1,440,254,699 2,668,427 1,431,976,899 2,127,701 9,547,203

1942: 1,286,574,696 2,711,147 1,315,558,920 988,562 6,976,576

1941: 1,319,260,441 1,467,512,092 1,443,561,803

1940: 1,319,260,441 1,467,512,092 1,443,561,803

1939: 1,319,260,441 1,467,512,092 1,443,561,803

1938: 1,319,260,441 1,467,512,092 1,443,561,803

1937: 1,319,260,441 1,467,512,092 1,443,561,803

1936: 1,319,260,441 1,467,512,092 1,443,561,803

1935: 1,319,260,441 1,467,512,092 1,443,561,803

1934: 1,319,260,441 1,467,512,092 1,443,561,803

1933: 1,319,260,441 1,467,512,092 1,443,561,803

1932: 1,319,260,441 1,467,512,092 1,443,561,803

1931: 1,319,260,441 1,467,512,092 1,443,561,803

1930: 1,319,260,441 1,467,512,092 1,443,561,803

1929: 1,319,260,441 1,467,512,092 1,443,561,803

1928: 1,319,260,441 1,467,512,092 1,443,561,803

1927: 1,319,260,441 1,467,512,092 1,443,561,803

1926: 1,319,260,441 1,467,512,092 1,443,561,803

1925: 1,319,260,441 1,467,512,092 1,443,561,803

1924: 1,319,260,441 1,467,512,092 1,443,561,803

1923: 1,319,260,441 1,467,512,092 1,443,561,803

1922: 1,319,260,441 1,467,512,092 1,443,561,803

1921: 1,319,260,441 1,467,512,092 1,443,561,803

1920: 1,319,260,441 1,467,512,092 1,443,561,803

1919: 1,319,260,441 1,467,512,092 1,443,561,803

1918: 1,319,260,441 1,467,512,092 1,443,561,803

1917: 1,319,260,441 1,467,512,092 1,443,561,803

1916: 1,319,260,441 1,467,512,092 1,443,561,803

1915: 1,319,260,441 1,467,512,092 1,443,561,803

1914: 1,319,260,441 1,467,512,092 1,443,561,803

1913: 1,319,260,441 1,467,512,092 1,443,561,803

1912: 1,319,260,441 1,467,512,092 1,443,561,803

1911: 1,319,260,441 1,467,512,092 1,443,561,803

1910: 1,319,260,441 1,467,512,092 1,443,561,803

1909: 1,319,260,441 1,467,512,092 1,443,561,803

1908: 1,319,260,441 1,467,512,092 1,443,561,803

1907: 1,319,260,441 1,467,512,092 1,443,561,803

1906: 1,319,260,441 1,467,512,092 1,443,561,803

1905: 1,319,260,441 1,467,512,092 1,443,561,803

1904: 1,319,260,441 1,467,512,092 1,443,561,803

1903: 1,319,260,441 1,467,512,092 1,443,561,803

1902: 1,319,260,441 1,467,512,092 1,443,561,803

1901: 1,319,260,441 1,467,512,092 1,443,561,803

1900: 1,319,260,441 1,467,512,092 1,443,561,803

1899: 1,319,260,441 1,467,512,092 1,443,561,803

1898: 1,319,260,441 1,467,512,092 1,443,561,803

1897: 1,319,260,441 1,467,512,092 1,443,561,803

1896: 1,319,260,441 1,467,512,092 1,443,561,803

1895: 1,319,260,441 1,467,512,092 1,443,561,803

1894: 1,319,260,441 1,467,512,092 1,443,561,803

1893: 1,319,260,441 1,467,512,092 1,443,561,803

1892: 1,319,260,441 1,467,512,092 1,443,561,803

1891: 1,319,260,441 1,467,512,092 1,443,561,803

1890: 1,319,260,441 1,467,512,092 1,443,561,803

1889: 1,319,260,441 1,467,512,092 1,443,561,803

1888: 1,319,260,441 1,467,512,092 1,443,561,803

1887: 1,319,260,441 1,467,512,092 1,443,561,803

1886: 1,319,260,441 1,467,512,092 1,443,561,803

1885: 1,319,260,441 1,467,512,092 1,443,561,803

1884: 1,319,260,441 1,467,512,092 1,443,561,803

1883: 1,319,260,441 1,467,512,092 1,443,561,803

1882: 1,319,260,441 1,467,512,092 1,443,561,803

1881: 1,319,260,441 1,467,512,092 1,443,561,803

1880: 1,319,260,441 1,467,512,092 1,443,561,803

1879: 1,319,260,441 1,467,512,092 1,443,561,803

1878: 1,319,260,441 1,467,512,092 1,443,561,803

1877: 1,319,260,441 1,467,512,092 1,443,561,803

1876: 1,319,260,441 1,467,512,092 1,443,561,803

1875: 1,319,260,441 1,467,512,092 1,443,561,803

1874: 1,319,260,441 1,467,512,092 1,443,561,803

1873: 1,319,260,441 1,467,512,092 1,443,561,803

1872: 1,319,260,441 1,467,512,092 1,443,561,803

1871: 1,319,260,441 1,467,512,092 1,443,561,803

1870: 1,319,260,441 1,467,512,092 1,443,561,803

1869: 1,319,260,441 1,467,512,092 1,443,561,803

1868: 1,319,260,441 1,467,512,092 1,443,561,803

1867: 1,319,260,441 1,467,512,092 1,443,561,803

1866: 1,319,260,441 1,467,512,092 1,443,561,803

1865: 1,319,260,441 1,467,512,092 1,443,561,803

1864: 1,319,260,441 1,467,512,092 1,443,561,803

1863: 1,319,260,441 1,467,512,092 1,443,561,803

1862: 1,319,260,441 1,467,512,092 1,443,561,803

1861: 1,319,260,441 1,467,512,092 1,443,561,803

1860: 1,319,260,441 1,467,512,092 1,443,561,803

1859: 1,319,260,441 1,467,512,092 1,443,561,803

1858: 1,319,260,441 1,467,512,092 1,443,561,803

1857: 1,319,260,441 1,467,512,092 1,443,561,803

1856: 1,319,260,441 1,467,512,092 1,443,561,803

1855: 1,319,260,441 1,467,512,092 1,443,561,803

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	Nov. 1942	Oct. 1942	Oct. 1943	Nov. 1943
12 U.S.F.R. Banks	20,554	19,844	19,852	19,832
Gold certifs. on hand and due from Treasury	20,802	20,296	20,293	20,261
Total reserves	233	529	529	515
Total cash reserves	4,551	8,914	9,291	9,476
Total U.S. Govt. secs.	4,575	8,937	9,316	9,526
Total bills and secs.	26,671	31,275	31,497	31,559
Total resources	26,671	31,275	31,497	31,559

	Nov. 1942	Oct. 1942	Oct. 1943	Nov. 1943
LIABILITIES				
F.R. notes in circ.	11,302	15,444	15,521	15,760
Excess r.r. bank res.	2,120	1,410	1,060	1,080
Mr. bank res. dep.	12,211	12,002	12,005	12,069
Govt. deposits	361	530	530	534
Total deposits	13,935	13,986	14,146	14,071
Total liabilities	26,671	31,275	31,497	31,559
Reserve ratio	82.4%	69.0%	68.3%	67.9%

	Nov. 1942	Oct. 1942	Oct. 1943	Nov. 1943
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,739	22,132	22,132	22,116
Treasury & bank currency	3,369	4,101	4,103	4,106
LIABILITIES				
Money in circulation	14,312	19,019	19,090	19,354
Treasury cash and dep.	2,621	2,814	2,825	2,632

BANK OF CANADA

Million Can. \$'s

	Oct. 1942	Sept. 1943	Sept. 1943	Oct. 1943
ASSETS				
Reserve: Gold	0.8	31.1	31.0	44.4
Other	920.8	1157.1	1144.8	1178.0
LIABILITIES				
Note circulation	635.7	808.0	813.7	822.9
Deposits: Dom. Govt.	34.8	45.1	40.6	74.5
Chartered banks	228.9	310.1	300.9	303.1

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

CENTRAL BANK OF IRELAND

Million £'s.

	Oct. 1942	Oct. 1943	Oct. 1943	Oct. 1943
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	21.00	21.25	21.65	22.15
Sterling balances	1.63	2.00	1.77	1.72
LIABILITIES				
Notes in circulation	25.70	26.16	26.26	26.73

SOUTH AFRICAN RESERVE BANK

Million £'s

	Oct. 1942	Aug. 1943	Sept. 1943	Oct. 1943
ASSETS				
Gold coin and bullion	67.66	76.19	78.16	78.80
Bills discounted	1.09	11.72	11.69	12.33
Invest. and other assets	62.70	85.54	86.69	87.34
LIABILITIES				
Notes in circulation	36.62	45.70	45.24	46.38
Deposits: Government	4.07	5.37	8.98	5.89
Bankers'	80.66	114.66	113.94	114.29
Others	5.20	4.10	4.88	5.33
Reserve ratio	53.4%	45.1%	45.4%	45.5%

SWISS NATIONAL BANK

Million Swiss Frs.

	Oct. 1942	Sept. 1943	Oct. 1943	Oct. 1943
ASSETS				
Gold	3484.1	3837.9	3847.1	3847.5
Foreign exchange	87.3	92.0	93.4	95.4
Discount, etc.	41.8	257.4	238.4	237.6
Advances	21.9	17.0	17.7	17.9
Securities	64.5	64.8	64.8	64.8
LIABILITIES				
Notes in circulation	2428.9	2804.5	2774.8	2771.2
Other sight liabilities	236.3	234.2	230.8	239.7

COMPANY RESULTS (October 29, 1943, to November 12, 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.													
Brown (Matthew) & Co.	Sept. 30	210,507	...	143,507	208,325	56,000	21,725	11	10,000	55,782	254,981	133,198	11
General & Swarbrick Brewery	Sept. 30	298,943	2,486	52,845	92,823	5,600	39,900	30	10,000	545	338,989	14,140	25
Heron's Brewery	Sept. 30	282,637	...	126,376	230,266	27,500	67,500	15	100,000	68,125	282,868	120,105	14
Kemp Town Brewery, Brighton	Sept. 30	227,849	...	112,665	139,335	30,000	35,000	14	40,000	7,665	261,005	107,424	10
Norhampton Brewery Co.	Sept. 30	390,368	...	47,495	156,638	8,250	28,775	15	...	10,570	378,768	47,018	15
Ridale and Manor Brewery	Sept. 30	21,539	...	7,057	21,164	1,680	3,150	6	...	2,227	27,644	4,853	6
Canals, Docks, &c.													
Yantstuart Dry Docks	Mar. 31	67,523	...	(t) 57,616	103,813	5,772	11,708	6	35,000	5,136	63,551	27,153	6
Coal, Iron and Steel													
Jorden Collieries	Sept. 30	316,737	45,000	115,562	195,848	...	112,500	74	...	3,662	405,522	114,011	74
Ward (Thos. W.)	June 30	164,793	47,811	111,982	239,873	37,500	58,413	10	15,000	1,069	183,892	129,884	114
Financial, Land, &c.													
African Lakes Corporation	Jan. 31	107,290	...	Dr. 2,488	18,255	...	17,400	6	...	19,888	80,760	25,813	6
Associated British Properties	Mar. 31	180,030	34,374	12,780	12,780	...	12,780	...	...	...	180,021	5,022	(5)
Balkis Limited	Aug. 31	11,623	...	4,561	7,409	...	3,991	5 & 74	...	570	10,000	3,709	5
Harrisons & Crosfield	June 30	241,709	...	226,709	412,161	137,800	52,500	10	26,250	10,159	413,656	398,656	5
Leach's Argentine Estates	Mar. 31	176,658	...	78,231	78,231	30,000	30,000	6	18,231	...	180,588	84,627	6
Leica (Argentina) Land	June 30	124,398	...	38,897	59,396	...	10,000	10	15,000	13,697	139,518	41,287	10
Telephone Properties	Dec. 31	94,216	...	24,303	62,762	17,312	...	...	5,060	2,191	160,319	35,798	Nil
Hotels, Restaurants, &c.													
Smalley's Hydromatic Co.	Sept. 30	8,243	...	4,013	11,036	1,125	2,812	74	...	76	7,305	4,675	64
Motor, Aviation, &c.													
Stilling-Stevens Limited	Mar. 31	41,365	22,708	14,295	67,945	...	11,128	5	...	3,167	45,777	19,643	74
Oil													
Attock Oil Co.	Dec. 31	748,349	200,000	160,405	272,198	...	135,000	74	...	25,405	795,779	182,656	10
Trinidad Petroleum Development	July 31	614,294	...	183,974	255,904	12,000	150,000	15	...	21,974	717,120	158,430	15
Rubber													
Dwa Plantations	Dec. 31	11,879	4,963	144	4,734	2,470	...	...	...	2,326	7,366	1,139	Nil
Mal-Kalumpung Rubber	Dec. 31	Dr. 4,132	...	Dr. 7,390	67,823	...	...	...	...	7,360	99,335	28,339	Nil
Perak Rubber	June 30	810	...	Dr. 8,101	Dr. 8,101	...	...	...	...	4,321	8,431	Dr. 4,321	Nil
Perak Rubber Lands	June 30	771	...	21	12,649	...	...	...	...	21	9,190	3,703	Nil
R.M.S. (Malay States) Rubber	Mar. 31	1,042	...	Dr. 189	11,593	...	...	...	...	189	14,229	5,085	Nil
Singapore Para Rubber	Mar. 31	1,040	...	167	6,363	...	...	...	...	167	8,250	684	Nil
South Malay Rubber	June 30	166	...	Dr. 399	238	...	...	...	...	399	2,070	Dr. 1,579	Nil
Tanjong Malim Rubber	June 30	1,475	...	Dr. 6	Dr. 1,343	...	...	...	...	6	9,354	Dr. 3,815	Nil
Shipping													
Liverpool & North Wales Steamship	Sept. 30	23,352	14,000	3,717	3,717	...	3,185	10	...	832	21,464	5,213	10
Line Limited	June 30	177,290	100,000	24,290	34,164	...	24,060	4	...	250	195,109	25,739	4
Rawlins Grimsby	Mar. 31	15,364	2,000	2,544	7,815	...	2,552	5	...	8	46,735	5,130	5
Shops and Stores													
Lydesdale Supply Co.	Mar. 31	18,107	1,129	5,383	15,760	3,000	...	...	...	2,883	16,040	4,796	Nil
Repworth (J. & Son)	May 31	53,692	...	34,341	87,393	20,500	13,000	45	...	1,542	92,875	32,175	3
Taylor (Cash Chemists), London	Dec. 26	94,237	...	21,820	27,350	19,050	2,600	4-62	...	58,422	25,040	6 16	
Taylor (Cash Chemists) Midland	Dec. 4	81,271	4,442	18,893	31,584	4,331	14,525	124 244	...	37	88,487	17,328	244
Taylor (Cash Chemists) Trust	Dec. 26	78,464	...	38,795	52,490	31,950	6,250	10-416	...	595	72,504	35,466	9 62
Taylor's Drug Co.	Dec. 26	144,698	8,740	36,554	44,810	10,000	26,250	874	...	284	156,382	34,745	8
Whites (Timothy) & Taylors	Dec. 26	439,778	19,821	137,077	213,404	62,850	72,869	30	...	1,558	436,710	136,534	30
Tea													
Boga Wantalawa District Tea	Mar. 31	32,482	...	10,652	12,589	4,570	6,079	74	...	3	45,767	12,115	84
Union Amalgamated Tea, &c.	Mar. 31	1,221	...	Dr. 10,048	Dr. 23,415	...	...	...	10,048	20,592	8,319	Nil	
Yong Valley Tea	Dec. 31	48,995	...	6,732	9,276	3,068	3,866	6	...	202	41,096	7,442	6
Yong Valley Tea Co.	Dec. 31	38,415	...	39,805	45,098	40,000	10	...	195	34,599	40,020	10	
Yong Sylhet Tea	Dec. 31	32,181	555	8,882	14,377	720	4,200	15	5,000	962	30,411	8,554	15
Yong Valley Tea	Dec. 31	59,275	...	24,526	45,357	...	18,750	15	5,000	776	40,587	22,419	15
Textiles													
Weystone Knitting Mills	June 30	76,213	10,007	6,429	9,885	...	...	...	...	6,429	90,312	6,093	Nil
Weystone (Twil) Ltd.	June 30	56,911	5,500	15,510	25,519	7,031	8,438	9	...	41	47,726	13,613	5
Trusts													
L.R.P. Investment Trust	Aug. 31	19,325	...	11,532	18,734	10,012	1,300	1	...	230	19,464	13,975	24
Amperdown Trust	Oct. 1	90,435	...	27,223	37,969	9,600	14,400	9	3,000	223	90,365	26,823	9
Adair Investment Trust	Sept. 30	36,976	...	22,120	58,492	5,591	11,766	5	...	5,063	33,709	19,395	5
East of Scotland Trust	Sept. 30	68,131	...	15,500	40,564	9,062	7,500	6	...	38	67,934	16,395	6
London Maritime Investment	Sept. 30	41,037	...	21,491	38,591	12,500	7,500	3	...	1,491	29,562	21,480	3
London Investment Trust	Sept. 30	26,928	...	8,235	27,390	7,300	...	...	...	845	26,508	8,420	Nil
Salway & General Investment	Sept. 30	86,516	...	24,140	49,438	12,650	8,433	5	...	3,057	44,065	23,109	5
Salway & General Investment	Aug. 31	132,270	...	46,051	160,186	16,031	23,553	11	...	6,487	131,059	44,839	11
Salway & General Investment	Sept. 15	40,915	...	12,411	27,460	8,007	3,219	3	10,000	1,185	40,040	12,228	3
Salway & General Investment	Sept. 30	157,734	...	46,710	68,388	19,531	22,155	84	...	4,956	156,770	42,431	84
Salway & General Investment	Sept. 30	83,482	...	25,869	38,487	11,916	8,525	54	...	5,009	72,616	24,990	54
Salway & General Investment	Sept. 30	59,972	...	16,952	47,715	9,104	7,293	6	...	1,200	56,770	16,345	6
Salway & General Investment	Sept. 30	77,367	...	44,306	58,354	...	4,000	4 3,000	...	1,300	77,069	40,989	34
Salway & General Investment	Sept. 15	11,135	...	5,399	12,567	...	3,953	4	...	1,446	10,765	6,016	4
Other Companies													
Electricity Meter	Mar. 31	37,532	...	20,222	31,105	11,395	15	5,000	...	3,827	28,851	15,358	10
Atchelor's Peas	June 30	167,687	13,112	46,345	77,002	13,977	30,000	15	...	2,568	211,443	46,504	15
Blender (George M.)	June 30	9,093	303	1,873	2,782	1,446	500	10	...	73	9,406	1	...
Leithorn (R. & W.), Leslie & Co.	June 30	134,632	...	133,632	186,781	12,000	14,750	120	50,000	2,218	132,074	130,934	15
Leithorn Manufacturing Co.	Aug. 31	69,510	...	28,877	87,289	...	6,505	124	...	2,218	57,981	10,350	120
Peterson Engineering Co.	April 30	53,768	...	21,484	92,884	...	12,500	10	...	8,984	19,669	19,394	10
Smith's Stamping Works (Coventry)	July 31	22,084	...	11,957	19,061	3,600	4,500	10	5,000	1,143	56,905	8,492	10
Union (Max) Limited	June 30	58,079	1,060	4,393	7,418	...	3,415	64	...	978	31,169	3,944	64
Wibbit Brothers	July 31	666,308	...	148,432	374,209	35,996	127,754	10 & 8	...	15,318	882,677	177,186	10 & 8
Wilton Paper Manufacturers	June 30	108,428	7,889	71,040	84,963	22,500	45,000	10	...	3,540	104,530	7,777	...
Wilton Food Co.	June 30	60,416	...	58,816	92,897	...	25,000	15	35,000	1,316	59,191	57,441	15
Totals (1900's)													
October 20, 1943	No. of Cos.	8,511	545	2,825	5,111	763	1,370	...	398	94	9,672	2,899	...
January 1, 1943	72	348,207	28,501	148,883	247,544	37,696	96,061	...	17,112	2,984	335,507	143,901	...

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:

38, 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
£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 COVENT GARDEN, LONDON, E.C.3
 West End Agency: 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)

STATISTICAL RESEARCH—Lady, exempt, with experience in statistical analysis, tabulation, preparation of charts, etc., seeks part or whole-time work. References. Write Box 11, THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2.

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, November 13, 1943.

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.

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

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

COMPANY requiring investment in ships Mortgages in ites applications from accountants. Write Box 119, THE ECONOMIST, Brettenham House, Lancaster Place, W.C.2.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5230

REGISTERED AS
A NEWSPAPER

NOVEMBER 20, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Lord Woolton's Task - - - 665	The South and the World - 675
The Lebanese Crisis - - - 666	Social Credit After Aberhart 679
Mutual Aid - - - - - 668	The Durham Coalfield - - 684

NOTES OF THE WEEK - - - - - 671	LETTER TO THE EDITOR - - - - 682
---------------------------------	----------------------------------

The Government Changes; Cos, Leros and Samos; Labour and the Nation; Beveridge Plus or Minus?; The Consultative Assembly; Polish-Soviet Deadlock; Retreat and Counter-Stroke; History of Liberty?; Employment; Work for the Disabled; The Tuberculosis Scandal; Civil Liberties; International Airways; Inland Transport; The Balkan Maze; Shorter Notes.

AMERICAN SURVEY - - - - - 675	BUSINESS NOTES - - - - - 685
-------------------------------	------------------------------

The South and the World; Puerto Rico Development; Coal and the Little Steel Formula; A Drop in the Bucket; Reverse Lend-Lease; Hey Diddle Dilling; Gogo and Gopo; Shorter Note.

THE WORLD OVERSEAS - - - - - 679	COMPANY MEETINGS - - - - - 692
----------------------------------	--------------------------------

Social Credit After Aberhart; Roumanian Anxieties; West African Cocoa Problems; Germany at War.

RECORDS AND STATISTICS - - - - 695

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Lord Woolton's Task

THE appointment of Lord Woolton as Minister of Reconstruction, with a seat in the War Cabinet, is both a shrewd move and a popular one. There have been many demands for a Minister of Reconstruction, whose existence would be taken as a sign of serious intentions on the Government's part to speed up the process of preparing for the outbreak of peace. To appoint to the post a man of Lord Woolton's reputation for energy and efficiency is to give the public a pleasant surprise. There have been a number of signs recently, as was remarked in these columns last week, that the Prime Minister has at long last been converted to the necessity of putting an end to the period of trifling with reconstruction, and that he is now ready to take it seriously. He has left it very late indeed, for the number of people who are frankly cynical about the possibility of any real reconstruction emerging from Mr Churchill's Government, or from his party, is already very large. But if the Prime Minister's intention were no more than to correct this impression, he could scarcely have done better, in the public mind, than he has done by this appointment. Nobody can possibly say that it has been made too early; but it may not be altogether too late. Much more hard preparatory spadework has been done in the departments than the public gives credit for. On nearly every large question the data have been

assembled and the issues sorted out. On a whole range of subjects, decisions could now be reached very quickly—if there is a will to decide.

Whether Lord Woolton will measure up to his task will be one of the most interesting and important speculations of the next few months. It is certainly a great opportunity for him, and a very great test of his capacities. Notwithstanding his record at the Ministry of Food, Lord Woolton is very much of an unknown quantity so far as this new and very different task is concerned. At the Ministry of Food he had three great advantages. The first was that—granted one or two basic decisions of principle, which were taken before he became Minister (for example, the decisions to have complete rationing of all basic food-stuffs except bread, and to engage in trading on the Government's own account)—the task of the Ministry was very largely one of administering a defined and, in the round, simple policy. The second was that, of all sections of the war economy, this was the one that had been most thoroughly thought out and prepared for before the war began. The third was that the Ministry was blessed with a very competent higher staff. These things do not detract from Lord Woolton's achievement; but they do point the contrast between the conditions in which he has worked hitherto and those of his new appointment. Few of these advantages will follow him. He will, indeed, have

the great advantage of the preparatory work that has been done. But the work of the Food Defence Plans Department, on which the Ministry of Food was built, included many of the major decisions of principle; the preparatory work done by Sir William Jowitt's staff apparently includes no decisions at all. Staff will be Lord Woolton's first and most constant anxiety. It is no disrespect to the present Reconstruction Secretariat to say that, in numbers and in eminence alike, it is wholly inadequate to the task; yet, at this stage of the Whitehall manpower problem, the Minister will find it exceedingly difficult to find recruits.

The crucial difference is that the task of the Minister of Reconstruction, unlike that of the Minister of Food, is not administrative. It is not administration that is now lacking in reconstruction. For one thing, administration can hardly begin until the war is over, and for another the existing departments are standing ready to do all the administration that is necessary, once the decisions of policy are made. It is these decisions that are lacking, and it is Lord Woolton's task to see that they are taken without delay and that they are the right decisions. If a Ministry of Reconstruction were to attempt to administer all the decisions that will have to be reached on reconstruction matters, it would soon embrace, or duplicate, every department of the public service.

The taking of decisions is, in the highest degree, a political task, poles apart from administration. It requires both the statesman's vision, to see problems in the dimensions of history, and the politician's art of assessing the practical possibilities of getting things done in the present. The successful Minister of Reconstruction must be equally at home in the lobbies of Parliament and in the grand perspectives of posterity. Lord Woolton is a successful and resourceful administrator. Whether he is a politician and a statesman he now has an opportunity to show.

The first question he will have to decide is whether to create a Ministry of Reconstruction and to press for "powers." To many people, the creation of a separate new Ministry is, in itself, a step towards the solution of a problem. There are, indeed, cases when the splitting off from an over-large and unwieldy department of one or more specialised sections, and their constitution as a separate Ministry, is of assistance. But it does not always work out favourably. It is questionable, for example, whether the effect of setting up the Ministry of Town and Country Planning has not been to impede rather than to assist progress in this department of policy. The Ministry is under-staffed; and the weight that a new, junior and

largely amateur department can carry in Ministerial and official discussions is almost always small. It is sometimes better to have one quarter of, say, the Treasury's attention than the undivided energies of a department that has no authority. If this is so in the case of a subject which, like town and country planning, has recognisable boundaries, it is far more true of reconstruction, which has no limits. It is wholly impossible to deal with, say, the reconstruction of the health services in a separate compartment from the ordinary work of the Ministry of Health. Industrial reconstruction cannot be divorced from what is being done every day in the Board of Trade and in the munitions departments. Full employment policy lies at the centre of reconstruction; but it is inextricably involved with financial and fiscal matters which are proper to the Treasury. On all these matters and many more, the decisions can only be reached on the advice of the departments chiefly concerned. Lord Woolton's job is to see that the decisions are taken, not to try to take them himself. This does not mean that his duties are limited to the blessed word "co-ordination." He should inspire, insist, stimulate. To form a Ministry of his own, with powers and responsibilities, so far from stimulating the departments, would give them a perfect alibi for inaction. The Minister of Reconstruction will be wise if he takes as his model the Minister of Defence, who achieves his purposes through a very small, but very influential staff.

Of one thing Lord Woolton can be quite certain—that he starts his task with universal good wishes. The quality that should chiefly be enjoined upon him is boldness; that does not mean that he should be a headstrong doctrinaire; far from it. But this, by all the signs and portents is one of those rare historical moments when the shape of a whole century can be set. The metal of which the social framework is cast has been brought by the fires of war to a molten state, and the mould in which it is allowed to cool will be with us, for good or for ill, for many years to come. There are in this island more of the materials for solving the riddle of the twentieth century than anywhere else on earth; but they are still molten and unformed. A bold and courageous statesman could forge a framework on which new empires could be built. A timid and small-minded man will let the metal cool in the form of a cage for the spirit of the people.

This is, in Mr Herbert Agar's phrase, a time for greatness. The two qualities that a democracy must have to be great are clear thinking and courage—*la lucidité et l'audace*. The civil servants will provide the clear thinking; let Lord Woolton supply the courage.

The Lebanese Crisis

IN the early hours of November 11 French troops broke into the house of the President of the Lebanon and placed him under arrest, while others arrested the Prime Minister and all the Ministers of the newly elected Lebanese Government. A crisis thus began which involves not only the status of Lebanon but the future of the Middle East as a whole, and with it the future of Anglo-French collaboration in this area. The background of the crisis can be quickly told. The French mandate over Syria was established after the last war. The French split off the predominantly Christian community of Lebanon from Syria, and set it up as a separate entity, but included in it such completely Moslem areas as the town and coastal areas of Tripoli. This separation created very difficult economic and political relations between Syria and Lebanon. The Christian Lebanese feared the Syrian Moslems. Economically, Syria was cut off by a customs barrier from its natural outlet at Beirut. Both were united in their desire to get rid of the French mandate, and both accused the French of making use of their difficulties to postpone the granting of independence. In 1936, the French Popular Front Government negotiated treaties of independence with both Syria and Lebanon, and democratically elected Governments were set up which ratified the treaties. Then, however, before

French ratification, the Paris Chamber hesitated. There were further negotiations. The affair dragged on. At the beginning of the war, it had not been settled, and in Syria the Government had abandoned the pretence of governing. This was the situation in the first year of the war and under Vichy.

The Allies conquered Syria and Lebanon in the name of Free France in the summer of 1941. It was then that new guarantees of independence were given by General Catroux in the name of General de Gaulle, and strongly endorsed by the British authorities. Since the giving of these guarantees, preparations have slowly been made for the holding of free elections. These took place a few weeks ago and both in Syria and Lebanon strong Nationalist Governments were elected. The issue which in both Syria and Lebanon united the whole fantastic mosaic of religions and races was independence and sovereign rights. The newly elected Lebanese Government decided to make a test case of their status and announced their intention of deleting from their Constitution all reference to France's mandatory position. This they felt had been abrogated by General Catroux's very explicit guarantee of genuine independence, given two years earlier. M. Helleu, the French Delegate General in Beirut, went to Aleppo, the Lebanese Government did not wait for the counter-proposals he was supposed to be bringing back with him. They voted the modifications of the Constitution. It was at this point that the entire Lebanese regime was arrested by the French.

The French authorities may justly plead that the Lebanese Premier should have awaited M. Helleu's report, and that his action was an attempt to present the French National Committee with a *fait accompli*. General de Gaulle has further spoken of himself as trustee of France and declared that nothing of its pre-war status can be modified without the consent of the French people. Yet even if the Lebanese Government acted precipitately, they had been waiting for an independence explicitly promised since 1936, and even more solemnly granted in 1941. The reservations made by the French Committee must have sounded suspiciously like the old, old story to them. As for the question of France's mandatory power, the exact status of France in Lebanon—Vichy and non-Vichy by turn—may quite justifiably have appeared

confused to the Lebanese. In any case, the excuses which can be made for the French action are quite outweighed by its violence and extremism and by the fact that in a matter of vital British concern (for British troops still occupy the country) the French made no attempt to consult their ally.

Some attempt may be made to switch the blame on to M. Helleu. Those who are acquainted with the Delegate General declare him to be constitutionally incapable of acting outside his instructions, or of conceiving for himself so vigorous an act. Moreover, he has told the press explicitly that the arrests were decided on in Algiers, and that when he warned the Committee that there would be trouble, General de Gaulle told him to go ahead. The Lebanese crisis is thus the first example of policy executed independently by General de Gaulle. The decision to arrest the Lebanese Government is high-handed, violent, and utterly undemocratic. The failure to consult the British shows how small is the value set by General de Gaulle on easy and comradely relations with Britain. Above all, the whole affair is stupid from the standpoint of France's

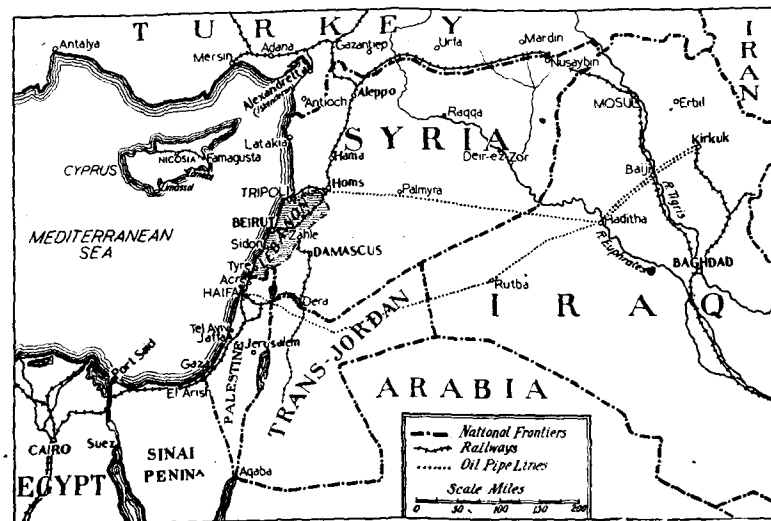
vital interests. General de Gaulle has succeeded in alienating France's best friends in the Levant, the Lebanese Christians. He has made the name of France a term of reproach throughout the Middle East. He has manoeuvred France into a position from which only the greatest tact—and the help of the British—can extricate it without a very damaging loss of prestige.

It is to be hoped that both the tact and the help will not fail. There has been a rather disagreeable tendency in this country to take ironic advantage of France's discomfiture and to pose in the role of protector of the weak. It is true that General de Gaulle's peculiar ineptitude has for the time placed the British in

the position of guarantor of Lebanese independence, and the protests which have come in from almost every Middle Eastern Government have all been directed to Britain with earnest pleas for intervention. But, basically, Britain can have no interest at all in self-righteously exploiting the situation against the French. France's problem in the Middle East is the same as Britain's problem, and if both states are going to

carry through their policies to a successful end they need to work together intelligently, closely and in complete loyalty.

The problem which faces them both is that of finding ways to put an end to the state of tutelage which still exists in Lebanon, Syria and Palestine, and to build up a new relationship between themselves and the Middle Eastern states which will contribute to the peace of the whole area, safeguard the vital strategic interests of the European Powers, and at the same time create a framework for the steady progress of the Arab communities. Britain and France must work together to secure this new Middle Eastern relationship, not only because the failure of either to terminate its mandate would react unfavourably on the other, but because any solution for the Middle East must be the work of more than one Great Power if it is not merely to look like a new form of disguised imperialism. The Middle Eastern states stand at the parting of the ways. Behind them lies dependence. Ahead of them lies either the illusory independence of small states, economically weak, militarily



For Insurances of all kinds

ALLIANCE

ASSURANCE COMPANY LIMITED
OF BARTHOLOMEW LANE, LONDON, E.C.3

Custodian of the Future

The Alliance is empowered to act as
Executor and Trustee and as Trustee
for Debenture Issues.

HEAD OFFICE: TEMPORARILY AT KIDBROOKE PARK, FOREST ROW, SUSSEX.



impotent, balkanised, squabbling, a prey to the first predatory Greater Power; or the real independence which can be secured only through co-operation and interdependence, co-operation of the states among themselves, and sound treaty relations with the Great Powers outside.

Obviously, this last solution requires all the resources of Allied statesmanship. Co-operation and interdependence come as hardly to the states of the Middle East as to the economically far more advanced and politically far more mature communities of Europe. Action by the Powers must, moreover, be very cautious, for it is necessarily suspect. Yet one of the hopeful aspects of Middle Eastern politics to-day is the existence of a number of pointers towards a more co-operative future. It is on these that Allied policy must concentrate. One of them is the precedent already established by Britain in Egypt and Iraq and reaffirmed with very wise generosity after the Rashid Gailani rebellion. This is the establishment of treaty relations which, while safeguarding the security of the area by the presence of garrisoning troops, nevertheless recognises the full sovereignty of the state in question. There is no reason why other Great Powers should not join in the garrisoning and transform the treaty relationship into a wider system of collective security. Another pointer is the existence and the expansion of the work of the Middle East Supply Centre. The United States is already associated with Britain in its working. Properly developed, it could provide a series of economic links drawing the Middle East together into a co-operative regional framework. The French are already associated with the work of the Centre in Syria and Lebanon. Their participation could be increased.

Finally, there is the undoubted local interest in the possibility of Arab federation. Various schemes are being discussed in the Middle East to-day. Formal talks have been held in Cairo, and a Congress is to be summoned next year. By far the most concrete and practicable is the plan elaborated by the Iraq Government, which corresponds in many ways to an earlier plan discussed by a group of Arabs and Jews in Jerusalem under the leadership of Dr Magnes. The core of both schemes is the restoration of a single Syria by bringing Lebanon, Syria, Palestine and Transjordan together in a single state. The Iraq plan suggests that the new Syria should federate with Iraq in a union open to other Arab states, and it provides for elaborate minority guarantees, specifically

for the Jews in Palestine. This or any similar plan stands little chance of success without some backing from the Great Powers concerned with the Middle East. For one thing, no minority, Christian or Jewish, would accept such a scheme unless treaty relations were established with the British, French, and if possible the Americans, which guaranteed the presence of their garrisons and gave them at least an unofficial oversight of minority rights. If, on the other hand, the influence of all the Great Powers is exercised in the direction of a united Syria and a co-operative Middle Eastern system backed with outside economic and military assistance, then there is better hope now than ever before of achieving a really constructive settlement in the Middle East.

For Great Britain, the great test is Palestine, with its Jewish minority. For the French, the test is Syria and Lebanon, with their Christian minority. The French have had their test to meet before the British. The world has heard a great deal in recent weeks of France's status as a Great Power, of its claims to equality and recognition, of its importance in the settlement of world affairs. France's Allies are ready and anxious to concede all these things, but they must depend to a great extent upon the nation's own performance. The immediate task is to restore the situation in Lebanon, to release the Government, and find the face-saving formula. General Catroux is in Beirut. He has seen Mr Casey. There can be little doubt that the right solution will be found. But what are the long-term plans of the French National Committee? Do they intend to join with the British in assuring a co-operative solution for the whole area? Or are they going to follow the promptings of a narrow and jealous national pride and try to insist on a solitary position of power in one corner of the Middle East alone? Is their outlook constructive or particularist? Will they use their influence to exploit the Lebanese Christians' fears of their Moslem neighbours? Will they encourage disunity so that they may retain a foothold? Will they treat their British Allies as potential rivals? Will they suspect every move and work in the dark to prepare elaborate counter-measures? If so, there is little hope of a creative settlement in the Levant; little hope either of France proving by its policy that its greatness is unimpaired. The errors of this first crisis can still be repaired, but there must be far more generosity and realism and frankness in Algiers if the broader issues are to be brought to a happy conclusion.

Mutual Aid

THE British Government's White Paper on Mutual Aid was published at such an hour last week that it was not possible to include in *The Economist* more than a hasty note. A document of such importance deserves, however, more extended notice, and subsequent pages of this issue of *The Economist* contain a full summary of its contents. It was published in Washington at the same time as in London, and the President also sent to Congress a report containing additional detailed information on the reciprocal aid received by the United States.

Requests for information on the scope of "reverse lend-lease" or "mutual aid" (the latter is now the official description) have been made ever since it became apparent that lend-lease was a two-way transaction. The requests have been more frequent in America than here, and to be able to quote strictly comparable figures would certainly be of great assistance to the American public in appreciating the true meaning of the whole complex of reciprocal assistance. But demands for information placed the British Government in a dilemma, of which the present White Paper still shows traces. Aid given by America to Britain is valued and recorded almost in its entirety. Much of the aid given by Britain to America inventions and battle experience) or else is not in fact recorded and valued, since it is rendered in small items over such a widely dispersed area that to keep records would require an army of clerks and accountants. Any

figures that can be quoted from the British side are therefore necessarily incomplete. Nevertheless, if published, they will inevitably be set alongside complete American figures. This dilemma cannot be fully evaded and some of the false comparisons are already being drawn in America. The authorities have, however, waited until the figures are so large that they can hardly fail to tell their story even through the cloud of innocent or malicious misconception.

The story that the White Paper has to tell is certainly impressive. The three items set out in paragraph 31, representing the cost to the British Exchequer of the recorded portion of goods and services provided for the United States forces in the United Kingdom in the twelve months to June 30, 1943, amount to £216 million (not £816 million as it appeared, by a printer's error, in last week's Note). This is roughly equivalent to £4½ per head of the population of the United Kingdom. Or it can be expressed in still another way as \$1.50 per head per month. In the period of about 28 months from the passage of the Lend-Lease Act (March 11, 1941) to June 30, 1943, the value of goods exported from the United States to the United Kingdom on lend-lease terms was \$4,458 million, or about \$1.18 per month per head of the population of the United States. These two *per capita* figures cannot properly be compared; one of them includes some services, but omits unrecorded items, the other includes all goods but no services: it

may be that the exchange of goods and services in theatres other than the UK itself is strongly in favour of one or the other of the parties; and in using money figures to express real magnitudes, account would have to be taken of the much lower British costs of production for identical goods. The only conclusion that can safely be based on figures such as these is that, if a strict comparison were possible, it would probably show that, relatively to her resources, Britain has helped America as much as America has helped Britain. Further than that the principle and the practice of Mutual Aid cannot go.

The White Paper, in addition to its figures on mutual aid in the strict sense of the term, also mentions the very large financial obligations of an external character that the United Kingdom has assumed. A figure of £2,250 million is given, and though the description of what it represents is very ambiguous, it can be assumed that this is the total of the British adverse balance in account with all the United Nations over the whole period of the war. This is, indeed, war expenditure, in the sense that it would not have arisen but for the war. Some of it represents direct assistance by the United Kingdom to the war effort of other countries. This, for example, is true of the enormous debt to India, which must be much the largest item in the total, and reflects, broadly, the assumption by the United Kingdom of a large part of India's war costs. But other parts of the total represent aid to Britain rather than aid from Britain, since they are the measure of the goods that other of the United Nations have been prepared to ship to this country without present payment. In the Note in *The Economist* last week, the £2,250 million was added to the sum of the specifically "mutual aid" items, and the comment was made that the total of £2,831 million "is certainly a wide under-estimate of the external war effort of the United Kingdom." This is perfectly true; but in view of the very disparate nature of the two items it seems more prudent, on reflection, to keep them separate—certainly in any discussion on mutual aid.

The most that can be claimed for the mutual aid that Britain has given—and in the ultimate analysis it is all that need be claimed—is that, according to our means, we have given second to none. But precisely because the means of Britain are so much smaller than those of America, the absolute total of American aid is, and will remain, larger than that of British aid. When the war is over, and the accounts of Lend-Lease and Reverse Lend-Lease are finally agreed, there will be a balance out-

standing against Britain. It is open to any Englishman to say that such a balance should be disregarded, and that victory should be taken as full payment. It is not open to him to say that that was the basis on which the bargain was originally struck or the agreements signed, and it is only a few weeks since President Roosevelt deliberately recalled and disowned a report that had gone out under his name with an expression of just that sentiment. Lend-lease, as originally offered and accepted, carried with it deliberate, though somewhat unspecific, provisions about repayment, and if these provisions are not to be observed, the agreement of both parties is required. It may be that the American public will come to the opinion that the question of repayment should not be raised. It may be that last week's White Paper will assist in this process. But they have not yet changed their mind. The President's action, the results of several polls of public opinion and Congressional statements all point in one direction. It is as well for everybody in this country to realise that a time will, in all probability, come when Washington will ask London to make suggestions for repayment. When and if that time comes, there could be no more lamentable mistake than for British opinion to react with an indignation that might well be truly righteous, but would inevitably appear, across the Atlantic, to be self-righteous. The bargain was struck with open eyes; it should be honoured.

Moreover, the conditions of repayment that have been envisaged are eminently reasonable. As laid down in the Agreement of February 23, 1942, they are to be "such as not to burden commerce between the two countries." That phrase may be interpreted as ruling out any repayment in dollars or in gold, or in any way that would diminish Britain's ability to earn dollars. Payment cannot therefore be made either in capital assets (such as oil reserves) or in goods, such as whisky and fine textiles, of the types that are normally sold by Britain to America. In short, the only form of repayment that would seem to conform with the terms of the Agreement would be deliveries of goods of types that America has not hitherto bought from Britain—metal goods, machinery and common textiles.

Whether America would be ready, when the time came, to accept free deliveries of British manufactures, presumably to be sold on the domestic market in competition with American products, is an interesting speculation—for Americans. The course of wisdom on the British side is to be prepared, in all sincerity, to make such an offer if repayment is required.

A Report on Mutual Aid

[The following is a full summary of the text of the British Government's White Paper, published on November 11th under the above title (Cmd. 6483; 2d. net).]

I—The Pooling of Resources

THE principle of mutual aid and the pooling of resources was instituted by the "Act to Promote the Defence of the United States" (the Lend-Lease Act) of March, 1941, which empowered the President to transfer without payment materials needed for winning the war to the Governments of those countries whose defence was deemed vital to the defence of the United States. The strain upon our financial resources placed by the purchase of munitions and food is indicated by the fact that, despite the help of lend-lease, we have spent, since September, 1939, some £1,500,000,000 in the United States on supplies of all kinds. In Canada, our difficulties of payment were solved by the provision in 1942 of a money gift of \$1,000,000,000 for war needs and by the Canadian Mutual Aid Act of May, 1943, which provides for the transfer to the United Nations without cash charge war supplies to the value of a further \$1,000,000,000.

The British Government recognises that the transfer of goods and services without charge or calculation is necessary to the efficient planning of the war, and its policy is to apply

the principle wherever possible to the United States and to other Allies.

II—The Range of Mutual Aid

With the United States, the position has been defined by the Mutual Aid Agreement of February 23, 1942 (Cmd. 6341), Article II of which reads:

The Government of the United Kingdom will continue to contribute to the defence of the United States . . . and will provide such articles, services, facilities or information as it may be in a position to supply.

On September 3, 1942, there was an exchange of notes, which stated *inter alia* that the British Government would provide the United States with the following types of assistance as reciprocal aid:—

- (a) Military equipment, munitions and military and naval stores.
- (b) Other supplies, materials, facilities and services for the US forces. . . .
- (c) Supplies, materials and services needed in the construction of military projects, tasks and similar capital works required in the United Kingdom or the British colonial empire. . . .
- (d) Supplies, materials and services needed in the construction of military projects, etc., in other territories to the extent that the United Kingdom or the British Colonial Empire is the most practicable source of supply.

In addition to the items listed above, Britain supplies as reciprocal aid a large number of shipping services. To begin with, raw materials and bulk supplies of foodstuffs were excluded from the agreement, since the dollar receipts from US purchases were needed to meet the liabilities on pre-lend-lease contracts in the US; but these contracts are by now largely fulfilled, and reciprocal aid will be extended to raw materials and foodstuffs purchased by the US Government from the United Kingdom and the colonial empire as well as to the cost of British shipping services for bringing these materials from all parts of the British Commonwealth.

The cost of reciprocal aid in the colonies has been entirely borne by the United Kingdom. The Dominion Governments have made their own arrangements with the United States. The Australian and New Zealand Governments signed reciprocal aid agreements on September 3, 1942; the South African and Indian Governments are giving reciprocal aid without any formal agreement.

The aid received from the US under lend-lease can for the most part be measured in terms of large contracts, since it consists mainly of armaments, foodstuffs and raw materials, the orders for which are presented in bulk to the US Government and which are requisitioned individually before they are supplied. In contrast, British aid to the US is mainly the provision of services and of a wide variety of items transferred in the daily intercourse of the war effort and on the battlefield itself. It is a decentralised and flexible system designed to meet the needs of armed forces at war in many scattered countries. Unlike American aid, therefore, British aid cannot be valued with any accuracy.

Examples of such British aid to the US are:—

Information—particularly the experience of the battlefield which has cost more in blood and effort than most aid. Before the US was at war, their models were tried out in actual combat, which helped in the development of, for instance, the Sherman tank and the Flying Fortress.

"Servicing"—the provision of transportation, accommodation, airfields, facilities and local supplies to American forces in the British Isles and the colonies.

Transportation—the transport of hundreds of thousands of American troops overseas, and the provision of harbour and repair facilities, fuel, stores, etc., to American naval and merchant vessels.

Construction—the provision of sites and building materials and the construction of airfields, barracks, repair shops, hospitals, etc., for the accommodation and use of the American forces in the British Isles and Colonies, also the cost of maintenance of light, heat, water, telephone and other services, and the provision of various foodstuffs which can more conveniently be provided locally than imported specially from the United States.

Amenities—premises for American Red Cross Clubs, NAAFI canteens, etc.

Medical supplies, including hospitals and ambulances.

AID TO OTHER ALLIES:—War material has been furnished by the United Kingdom to Russia free of cost since Russia entered the war. This was regularised in an agreement of June 27, 1942. By the end of May, 1943, 4,690 complete aircraft (including losses in transit) had been sent to Russia with appropriate supplies of spares. We have opened up a route to carry these supplies across Persia, and have sent large quantities by the sea route to North Russia, which has frequently involved a major and very hazardous naval operation.

Arms, munitions and military equipment are being supplied free to China for its forces in China, though transport from India is at present very restricted. In addition, in Burma and in India, Chinese troops have been given their local requirements, including rations, and their pay in local currency, together with cash for local purchases, on lend-lease terms. Sea and land freights for British and American lend-lease military supplies to China are also provided.

Holland, Belgium, Norway and Yugoslavia pay for all we give them. Certain other allies are supplied under credits, but the bulk of military supplies are made available free, only to be returned if they still exist and we want them after the war. This applies to the armed forces of Greece, Czechoslovakia and the French Committee of National Liberation, and similar arrangements have been offered to Poland and Yugoslavia. Military supplies are being furnished free to Turkey, which, together with France, has also had made available in the past considerable civil and military supplies on special credit terms.

We have also on loan to our Allies 1 cruiser, 17 corvettes, 14 destroyers, 6 submarines, 16 motor torpedo boats, 17 motor launches, 19 mine-sweeping vessels and 4 frigates.

III—The Amount of Mutual Aid

It is clearly impossible, because of its nature, to estimate fully and accurately the value of the reciprocal aid given by the United Kingdom. Moreover, what estimates are given should not be compared with the value of Lend-Lease received from the United States, except with circumspection. For one thing, the price in the US of labour and materials are considerably higher than over here, and American book costs probably exceed British costs by more than 50 per cent.

Subject to these qualifications, the cost of reciprocal aid given to the United States, but excluding transfers and services in overseas theatres of war, can be classified as follows:—

Capital Installations in the United Kingdom.—The total programme is estimated to cost more than £150 million. By June 30, 1943, the value of work done is estimated at £92 million, consisting of barracks, hospitals, etc., £31 million; air ports £55 million; aircraft repairs, depots, etc., £5 million; and other installations £1 million.

Goods and Services Transferred in the United Kingdom.—Up to June 30, 1943, these are valued at £82,000,000 as follows:—military stores £21 million; food and other army supplies £10 million; aircraft and aeronautical equipment £20 million; industrial, naval and other goods £13 million; and miscellaneous services £18 million.

Shipping Services.—Freight services up to June 30 are estimated at £36 million, and disbursements, including bunkers, at £6 million, a total of £42 million.

The amounts supplied to Russia, up to June 30, 1943, are as follows:—vehicles and tanks £93 million; guns, ammunition, etc., £16 million; aircraft and aeronautical equipment £65 million; industrial materials and naval supplies £5 million—a total of £179 million. This does not include the very large expenses incurred in conveyance and in keeping open the routes.

Our credits to our other Allies up to December 31, 1942, together with such lend-lease assistance as we gave before then, amounted to about £186,000,000.

IV—The Limitation of Mutual Aid

The amount of mutual aid which a country gives is not a measure of its war effort. Some of the United Nations are so close to the enemy or have such small resources compared with their needs that almost the whole of their war effort is applied directly. Others, not so placed, can best help by putting part of their production in the common pool. Mutual aid is for the most part confined to the provision by one country to another of its own produce. It thus falls short of a financial pooling of overseas expenditure, for, in particular, the pay of troops and the vast and growing cash expenditure in third countries on military operations and supplies are outside its scope. Of this burden the United Kingdom has had to bear a particularly heavy share, and it should be considered in addition to mutual aid in assessing the financial weight of the war on this country. Up to the middle of 1943, the burden thus assumed by the United Kingdom, in the form of payments made to other members of the United Nations in excess of sums received from them, amounted to over £2,250 million. To this extent, the United Kingdom has burdened its future commerce by parting with gold and other capital assets and by incurring liabilities to other members of the United Nations.

V—Summary

The part which the British Commonwealth has borne in the field of mutual aid cannot be measured in terms of money. Financial sacrifice is not the most valuable part of what any of the United Nations is called upon to contribute to total war—for they should give all they have.

But the size of the British financial contribution should not be underestimated. In the President's Report to Congress of May 25, 1943, he showed that lend-lease expenditures to that date made up 12 per cent of America's total war expenditure. The proportion of British war expenditure currently devoted to mutual aid is 10 per cent. This excludes the very large contribution to the external finance of the war made by the United Kingdom in cash expenditures abroad, but, apart from that contribution, what we give to the United States as mutual aid in relation to our national income does not fall far short of what the United States gives to us as lend-lease in relation to its national income.

NOTES OF THE WEEK

The Government Changes

Lord Woolton's appointment as Minister of Reconstruction is the subject of a leading article on page 665. He is succeeded as Minister of Food by Colonel J. J. Llewellyn, whose place as Minister Resident in Washington for Supply is taken by Mr Ben Smith, at present Parliamentary Secretary to the Ministry of Aircraft Production. Mr A. T. Lennox-Boyd, somewhat unfortunately associated in the public mind as one of Mr Chamberlain's young men, is appointed to the latter post. These changes follow from the appointment of Lord Woolton. But at the same time an unexpected and welcome change has taken place at the Ministry of Health which Mr Ernest Brown has vacated to become Chancellor of the Duchy of Lancaster. The former Chancellor, Mr Duff Cooper has resigned and is expected to go to Algiers as representative of the British Government to the French Committee of National Liberation. The new Minister of Health is Mr H. U. Willink, K.C., a Conservative backbencher, who has only been a Member of Parliament for a little over three years. Politically, he has chiefly made his mark by his chairmanship of the Commons' Select Committee on the question of giving women equal compensation with men for war injuries. Publicly, he is chiefly known as Special Commissioner for rehousing London's homeless during the blitz. In fact, from what is known of his interests and from the comments on his appointment, he seems likely to be a Minister of Housing rather than a Minister of Health, especially as he takes office at a time when the Government's views on the future of the health services have already been drafted in a White Paper, which is due to appear at any moment. Mr Willink may find his lawyer's skill useful in arguing with the doctors, but any policy-making for which he may be responsible in the near future would seem to be associated with housing—and, perhaps, local government—rather than with the prime function of his Ministry.

* * *

Cos, Leros and Samos

The loss of Leros is a grievous blow to the Allies, much more grievous than the immediate military significance of the island would suggest. The eyes of all the Balkans—and of Turkey—were centred on the fighting there; and failure in the Dodecanese is bound to depress friends and sympathisers of the Allied cause, encourage enemies and throw the hesitant back into indecision. Leros has been lost—as well as Cos, which fell six weeks ago—because small Allied land forces could not be given the protection of short-range fighters; and the Germans were once more free to use dive-bombers as they did in 1940 and 1941—and to reassert the old air menace to Allied warships. Coming now this is a most melancholy and disturbing episode. When Italy was invaded, the choice of Salerno as the landing-point was dictated by the range of fighter aircraft; and no risks were taken by landing farther to the north without air cover. Why was the risk taken in the Dodecanese? Why were these skeleton land forces sent unprotected to probable destruction, for all their great gallantry? Why were they left there when the danger became painfully obvious? And what is now to be the fate of the garrison sent to occupy still more distant Samos? The occupation of Cos, Leros and Samos had sense only as part of a wider and more powerful operation, with the conquest of Rhodes as its minimum objective and essential condition. Rhodes was not taken, largely because Italian aid was overestimated, but the occupation of the islands was continued, as a wasteful and sacrificial dispersal of men and material, as events have now shown. Explanations will be sharply and angrily asked for, with justice, for, with tremendous superiority at sea and in the air, the period of apprenticeship in the elementary strategy of concentration should have been over long ago.

* * *

Labour and the Nation

London's Mr Morrison still courts the provinces, especially the industrial north and midlands; the only Labour spokesman of a Labour policy, despite his position as Coalition Minister, he is bidding for the national status in the Party that he has never had. At Manchester last Saturday he spoke as "one Labour man to Labour men and women of

the north." He coupled a warning against dissension in the Party with an appeal for statements of Labour policy in plain, unmistakable language, not liable to misrepresentation. He called, too, significantly, for the "national" approach:

It isn't a case of "we are going to build Jerusalem, we ourselves alone, if only we can get ourselves the chance." Nor is Socialist vision summed up in a call to "vote for us and see what you'll get out of it." It is "this nation can and will do it, and we will hope, and work, to be a fit and chosen instrument of the national will and purpose."

Labour's weakness, as well as strength, has been its appeal to a single class. It has never yet had a hope of winning a national majority. Mr Morrison spoke frankly to the trade unions:

If they and the Party decline into a condition where their great aim is the achievement of narrow sectional objectives, they will split.

The application of his advice to Labour's immediate future is not quite clear. It may mean simply that the Party must appeal to all and not to some, which is wise counsel. Or it may mean that Labour must be content to play a part in Coalition in framing a National policy of reconstruction—pointed advice from the Party's only policy-maker on an issue that the Party has still to settle.

* * *

Beveridge Plus or Minus?

At Bolton, when on circuit in the north, Mr Morrison talked of the Beveridge Report, this time as spokesman for the Government. The Report's proposals have been closely examined, one by one, and a White Paper will be published in the coming session of Parliament stating the points the Government can accept—and those it cannot, because they are, in its view, impracticable. Mr Morrison emphasised, quite rightly, that the Beveridge scheme for a minimum

JAECGER Facts

1. Wool does not become damp like cotton or linen.
2. Wool is warmer in winter and cooler in summer because it is a slow conductor of heat.
3. Wool ventilates the skin, so keeps it in good condition.
4. Wool is just as important in bed.
5. Wool therefore is best for health and comfort.

money income for everyone in all contingencies is not the alpha and omega of social security. The provision of "food, work and homes" is most important; the standard of living of the nation depends upon the state of employment and the size of the national income; the goods must be there to be bought. But Sir William Beveridge saw this at least as well as Mr Morrison or Mr Churchill. It is quite wrong to say that the redistribution of money incomes proposed in his Report must first be "earned" before it can be carried through; it would have been feasible before the war when unemployment was larger and the national income smaller than they should be after the war. The point is that the bigger the total stock of work and goods, the more generous can be the assured minimum and the larger the fund of resources for other purposes after security needs have been met. Provided it is not used as an argument to reject the prevention of want in money terms by a comprehensive contributory scheme, as it sometimes is, the stress laid by the Government on the positive, practical and real aspects of social policy is very welcome. It echoes the emphasis placed in the Beveridge Report itself on good employment, doctoring for all and housing; and may even herald action at last to secure proper treatment for sufferers under national health insurance and workmen's compensation. Mr Bevin's announcement that the proposals of the Tomlinson Report for the rehabilitation and re-employment of the disabled are to be embodied in a Bill points in the right direction.

The Consultative Assembly

Events in the Lebanon (discussed on page 666) have overshadowed the second week of the Consultative Assembly at Algiers. Even so, domestic issues were still prominent in its proceedings, especially as the debate arranged on foreign affairs was postponed. The aim of the Assembly was clearly to obtain somewhat more elbow room for itself than is allowed by its constitution. The length laid down for a session is one week; the Assembly decided to sit in extraordinary session for eight days more. The main domestic question was the participation of the Communists in the National Committee. The Communists originally rejected the proposal that they should take over the Commissariat of Production and asked for the Commissariat of Information instead. This demand was rejected by the National Committee. For a while it looked as if the Communists were going to apply the tactics of the Popular Front period, when they preferred to exert pressure from outside without sharing responsibility for government. But they eventually took the Commissariats of Production and Health, and they have restated their pledge of full support for the National Committee. They have not, however, made it plain whether they endorse the Committee's criticisms of the results of the Moscow Conference; and it will be interesting to watch whether they will back the Committee's announcement that it will not feel itself bound by any decisions taken without France's direct participation. The other chief preoccupation at Algiers has been the position of General Giraud and, generally, the relations between the Army and the National Committee. General Giraud has repeatedly protested against the spreading of the purge to the Army; and he is said to have tendered and withdrawn his resignation as Commander-in-Chief several times. The internal crisis is not yet over.

Polish-Soviet Deadlock

Mr Cordell Hull has stated to the press that the problem of Russia's western frontiers should be left in abeyance until the end of the war. "Many things will be settled as the war goes on; patience is necessary." This seems, in fact, to be a necessary condition for the resumption of Polish-Soviet relations—which becomes the more urgent the nearer Soviet armies approach to Poland. It is therefore difficult to see what useful purpose was served by the statements on the Polish frontier problem made by both the Soviet and Polish Ambassadors to Mexico on the same day that Mr Hull pleaded for patience; and it is no easier to see what good can be done to Polish-Soviet relations by hints in the Soviet press encouraging what might be regarded as a London branch of the Union of Polish Patriots in Moscow. Polish-Soviet relations is, and must remain, an issue between the acknowledged Governments of the two countries; and to use unrepresentative and artificial bodies can only make confusion worse confounded.

The fact that so authoritative a paper as *Pravda* is able to quote against the Polish Government an obscure Polish periodical in London is hardly reassuring. The Polish Government, on the other hand, does not show any great awareness of the urgency and gravity of the problems with which it is confronted. It still continues to yield to the pressure of an irresponsible, and mainly military, opposition which wants to destroy any chance of repairing the breach between Poland and Russia. The stiffening of a completely unrealistic attitude—"We shall not cede an inch of our territory"—will lead the Polish Government nowhere; and the activities of the various Polish Societies for the Defence of the Borderlands, which have been organised under the auspices of highly placed Polish personalities, are only apt to hamper the freedom of movement of which Polish foreign policy may soon be badly in need. It is a puzzling fact that nearly all the Polish papers published in this country reflect the extreme viewpoint of Polish nationalists, while the Polish Government itself possesses almost no platform from which to state its own attitude and urge the need for compromise with Poland's eastern neighbour. Nor can the continued pursuance of the old "Ukrainian policy" by some departments of the Polish Government, in which the survivors of the old Beck régime are still very active, be justified. An unequivocal statement of the British attitude is urgently needed. There is some risk lest the Poles should be misled by the encouragement to intransigence that they receive from those British official representatives of whom they naturally see most. This is not the policy of His Majesty's Government—or, if it is, it ought not to be.

Retreat and Counter-Stroke

The Russian front has now assumed a very odd shape indeed. In the south the Germans are still holding out in the Crimea and on the eastern bank of the Dnieper. Inside the bend of the river the fierce battle for Krivoi-Rog is still undecided, though a Russian advance from the north is now reported. If it is true that the Russians have thrown thirty infantry divisions and five tank divisions into the narrow corridor between Krivoi-Rog and Nikopol, then this battle, which has now lasted nearly a month, will prove one of the most tremendous and destructive operations of the war. Farther to the north, the huge Kiev salient is now being extended and widened. The Russian jump from Kiev to Zhitomir was accomplished in less than a week; and there the Russians now stand half-way between Kiev and the old frontier. But the extension of the Kiev salient has given an opportunity to the Germans to launch the long-threatened and long-delayed counter-stroke. This has now been delivered in the region between Fastov and Zhitomir on the southern flank of the salient. The Russians have, in the meantime, extended the northern flank towards Korosten; but the centre of gravity has now clearly shifted to the south of the salient. The cutting of the railway west of Gomel seems to foreshadow an early evacuation of that town, which is the Germans' last important strongpoint in front of the Pripiet marshes. A revival of fighting is also reported from the Smolensk-Minsk road, where the Russians are pressing towards Orsha. Meanwhile German preparations for an even deeper retreat are reported from the Baltic countries and from eastern Poland. But whether or not such a retreat will become an immediate necessity may well depend on the result of the counter-attack in progress to the south of Kiev, which may even aim at the recapture of the Ukrainian capital.

History of Liberty?

The declaration of the Three Power Conference on the restoration of Italian democracy has had a very strange sequel in Italy itself. Victor Emmanuel has for the time being saved his throne; and Marshal Badoglio remains in office, without having brought in any representatives of the six parties with whom he had been negotiating. All the political parties, which now seem to enjoy relative freedom of organisation and printed opinion, have refused to serve under the old King, though it is not quite clear to what extent this refusal is based on opposition to the dynasty or merely springs from an aversion from Victor Emmanuel and the Crown Prince. Possibly the more radical sections of the Italian people in the north would now support a purely republican programme; and Mussolini, when he launched his Republican Fascist party, probably hoped to exploit anti-

monarchist feelings. In southern Italy, with its predominantly agrarian and conservative population, the anti-monarchist trend is probably almost absent; and this has obviously helped Victor Emmanuel to reassert himself. Neither Count Sforza nor Benedetto Croce, with whom Badoglio negotiated, is a republican. They have asked for the abdication of the King in favour of his grandson and the establishment of a Regency. Marshal Badoglio, in his statement on his new provisional Government, gave more than a hint that "military expediency" has played some part in the postponement of the dynastic crisis; the present regime is meant to be "temporary" as well as "expedient," and the freeing of Rome is apparently to be the deadline for a more democratic change. In the meantime, Marshal Badoglio has dropped General Roatta and is about to dismiss General Ambrosio, both Generals being listed as war criminals by the Yugoslav Government. But the Marshal has been unable to fill the posts in his Government with men of any political standing. All the Ministries will be temporarily directed by expert under-secretaries, presumably minor Vicars of Bray from the civil service. The coalition of six parties in Naples has unanimously protested against this set-up; and Benedetto Croce has issued a gloomy warning about the danger of a new Fascist era. The old philosopher to whom so many anti-Fascists looked for guidance under Mussolini and after his downfall, is now left to wonder whether the new chapter in Italian history will really be "the history of liberty."

Employment

During the war all appointments in the professions, industry and commerce must be filled through the organisation of the Ministry of Labour. This is necessary to make war mobilisation assured and complete. But it is, for many posts of a personal or specialised character, inconvenient and not very efficient from the employer's standpoint; and it is not good news that the Appointments Department of the Ministry is not intended to be, after the war, a monopolistic agency. Mr Bevin, who made this announcement last week, is very aware of the permanent need for his Ministry to find workers for all kinds of jobs and jobs for all kinds of workers; and it is essential that the Ministry's vacancy work should remain comprehensive and become more skilled. But, at the same time, employers and employees should be entirely free, if they can, to make their own arrangements. Much the most important need is that there should be jobs for all, and this is the Government's, not Mr. Bevin's, business. The law is about to be extended to make all employers of serving men (why not women?) liable to take them back to their old posts on demobilisation. In fact, their old jobs will in many cases not exist, or have been filled in four or five years by several persons all now serving and entitled to be taken back. The post-war structure of industry and trade may be very much altered; and the crying requirement is not for legal compulsions to restore the old structure but for an effective and successful policy of full employment.

Work for the Disabled

One of the most important points made by Mr Bevin in his Wigan speech last week-end was his statement that the Government intend to introduce legislation during the coming session to make the employment of disabled persons compulsory. This question has been given topicality by the return of the wounded prisoners from Germany, and the urgent need to restore them to full physical and mental health. The shortage of personnel and equipment for this healing work presents an immediate difficulty, which will increase with the mounting casualties that must inevitably result from the development of the European offensive. In conditions of wartime full employment, of course, there should be little difficulty in absorbing the physically disabled, who can work on a part-time basis if they cannot do full-time work, or who can do light jobs which do not involve the use of their injured limb. But the definition of "light work" and the finding of suitable jobs for men injured in industry or the mines has always been one of the most thorny features of workmen's compensation. Moreover, in peacetime, the employment of disabled men depends upon a high level of general employment; when trade gets slack, a man whose capacity is impaired in one way or another is the first to be discharged. Mr Bevin's hint may be taken as meaning that the Government is going to implement that part of the report of the Tomlinson Committee on rehabilitation and resettlement, which makes pro-

vision for the employment of disabled persons. As well as advocating improved and extended facilities for hospital and post-hospital treatment, including the equally necessary non-medical treatment, the Committee proposed that restrictions should be laid upon the engagement of non-disabled persons by an employer who is employing less than a prescribed percentage of registered disabled. Legislation on the lines of the Tomlinson Report would be an important measure of reform in a field which has been grossly neglected in the past.

The Tuberculosis Scandal

It is just over a year since the report of the Medical Research Council's committee on tuberculosis in wartime was published. Its main recommendations—early diagnosis by mass radiography, prompt treatment by an extension of sanatorium accommodation and the completion of a cure by the grant of special allowances to encourage sufferers to be treated and to permit them to stay away from work until they are cured—were accepted by the Government, and it was thought that a campaign against TB was under way. Yet as soon as the scheme for granting allowances was put into force, it became apparent that the Ministry of Health was determined to be as cheequeing as possible. Since the distinction between the curable case, which is eligible for an allowance, and the chronic case, which is not, was pointed out in *The Economist* on August 21, 1943, (page 233), a storm of protest has been made in press and in Parliament—most recently in a Commons debate last week—but the Ministry of Health's only reply is that the scheme is only intended to enable persons to give up work temporarily for treatment, and cannot include those whom further treatment will not benefit. When it is pointed out that this places medical officers of health and others who administer the allowances in the invidious position of telling a TB sufferer that he is ineligible for an allowance because he is incurable, the Ministry of Health says that such a person is always eligible for assistance from the local authority—which in most cases means the public assistance that, whether curable cases or not, TB persons will go to



Important Announcement

To present Users, and to all Executives interested in saving time and reducing the work of their Accounts Department while completely eliminating all risk of forgery on Cheques or Dividend Warrants

**INVICTA AUTOMATIC
CHEQUE WRITER LTD**
169 Piccadilly, London, W.1

wish to draw attention to their new address as above

Details and demonstrations on request
Telephone: Regent 1900
Managing Director: PERCY PHILLIPSON

THE ONLY MACHINE PRINTING DATE AND AMOUNT IN FIGURES AND WORDS IN ONE OPERATION

any lengths to avoid. In other words, quite apart from the inhumanity involved in telling a person that he is incurable, the Ministry of Health is encouraging chronic cases to find work even if they have positive sputum and are likely to spread the disease among their fellow workers, and in the present state of the labour market they have no difficulty in doing so. The Ministry could be excused for whittling down the Medical Research Council's other recommendations—mass radiography and improved sanatorium facilities—because they are dependent on factors such as skilled staff which are at present very scarce. But there are no such limitations on the grant of financial allowances, and the Ministry has only itself to blame if the medical profession points to this blunder as an example of what may happen under a state medical service.

Civil Liberties

One remark in Mr Churchill's Mansion House speech, ten days ago, has strangely escaped notice. Pleading for all-out effort in the war, he belittled by way of example the undue attention paid, say, to the rights and wrongs of procedure in juvenile courts. Here the Prime Minister, democrat and Parliamentary by nature and life-long experience, surely nodded. The distinguishing mark of free nations at war, despite the dire compulsions imposed by military and economic needs, is the constant care still taken for individual liberties. If it is necessary, for instance, that there should be a Regulation 18B to hold suspects for security's sake, it is no less necessary that there should be constant and critical watch on its working. If it was needful, for safety and order in India, to imprison the Congress leaders without trial, it is imperative that the proceeding should be regarded as, at best, a necessary evil—and, perhaps, that it should now be asked whether the time for *habeas corpus* and open trial has not arrived. War blunts and destroys many standards, more no doubt than we yet realise, in the thick of it. It is the more important that, war or no war, the public and, above all, Parliament—at question time and in debates on the adjournment—should seize and take up every instance where the rights of citizens, of whatever age or sex, may have been offended. It is part of the process of winning the war, with all its hateful necessities, that the soul of democratic law and order should not be surrendered.

International Airways

Mr Churchill and Mr Roosevelt agreed not long ago on the need for "freedom of the air," the right of aircraft on through voyages to land at any airport and cross any territory, but not to ply for hire within national frontiers. Lord Beaverbrook, whose new Ministerial province apparently includes both civil aviation and, in some aspects, lend-lease, obtained agreement at an undress Imperial Conference to a common regional policy for the Commonwealth and Colonies; and his next moves will be in Washington and Moscow, where a decision whether the British nations are to be regarded for flying purposes as a unit or a congeries of nations is a most urgent preliminary of international accord. There is much more than politics in the translation of "freedom of the air" into legally and technically acceptable terms in the languages of all the flying nations. The Royal Institute of International Affairs, Chatham House, has done good service by putting out a book (*International Air Transport*. By Brig.-Gen. Sir Osborne Mance and J. E. Wheeler, Oxford University Press, 117 pages, 7s. 6d.) which lists the problems to be solved and sets out the background of facts. There is need, first, for a new world-wide convention on principles and technical regulations; for comprehensive international machinery to apply the convention; for agreed definitions of freedom of passage, prohibited areas, airworthiness, competence in personnel, standards of ground organisation and traffic rules; for agreed judgments on the law of liability for accident and damage; and for common standards of customs enforcement. The biggest and most important chapter in the book records the international and regional services operating before the war and compares State expenditures and subsidies—which shows the payments of the United States, including its heavy home transport by air, three to five times above those of the United Kingdom, with Italy surprisingly high and Holland surprisingly low. The book's conclusion—mostly its purpose is purely expository—is unexceptionable: that the future of world civil aviation

depends, first, upon military decisions, and, secondly, upon the degree of international political agreement that can be achieved.

Inland Transport

Neither Lord Leathers, Minister of War Transport, in his speech on the future of transport in the House of Lords on October 27th, nor Mr Philip Noel-Baker, Parliamentary Secretary to the Ministry, in his address before the Institute of Transport on November 12th, was able to provide much of an outline of post-war policy. Lord Leathers correctly stated the aim of policy—that is, the provision of a transport system that will give "the best possible service for the least real cost to the community as a whole." But there are a number of recurrent phrases about the need for "co-ordination" in both speeches which suggest at least a drift of opinion away from competition, and in favour of treating rail, road and water transport facilities as a pool of carrying capacity to be utilised to the best advantage. Lord Leathers significantly welcomed the organisation of the scattered units of commercial road transport into national associations, an essential condition of co-ordination, and Mr Noel-Baker emphasised the need for finding some means of avoiding "unnecessary duplications" of transport facilities. These phrases are not new; what is interesting is their repetition in recent Ministerial pronouncements. But they do not amount to a policy. An efficient transport system is of tremendous importance to Great Britain, as a means of making the best of its compactness and short distances, one of its greatest natural advantages. Future policy cannot be shaped hastily, partly because the importance of transport is matched by its technical, financial and administrative complexity, and there is everything to be said for the fullest possible debate before decisions are taken. But public debate—as was revealed again by the speeches in the House of Lords on October 27th—has not yet come to grips with the real issue, which is the need for translating into practice the aim expressed by Lord Leathers. There is an urgent need for a definite lead from the Government, for if co-ordination came to mean nothing more than an integrated rate structure, designed to ensure a profit, however reasonable, on the capital invested in transport, the aim could not be achieved. The solution to the problem, as to many other industrial problems, is to be found in the technical approach, based on a careful analysis of the comparative facilities and costs of the various means of transport. Unfortunately, the necessary data, expertly analysed, are not yet available to the public. It may well be, however, that they would suggest, as a broad technical solution, the organisation of transport on a functional basis, with the administrative separation of long-distance from local transport, whereby long-distance traffic would be carried chiefly by rail and slow-moving traffic by water, and local traffic mainly, though not exclusively, by road. The implications, far-reaching in their financial and administrative aspects, must be thought out without delay.

The Balkan Maze

Conflicting claims of guerilla fighting and larger scale military activities come from various parts of the Balkan peninsula. Political intrigue and military matters are hopelessly entangled and there is a lack of reliable news. Shortly before Mussolini's fall, guerillas in the central and northern parts of the Balkans had been forced into inactivity, whereas in Greece fighting had flared up again. The surrender of the Italian army to the Allies changed the situation. Guerilla groups came into possession of Italian equipment, weapons and munitions. The districts of Gorizia, Trieste, Fiume-Susak and the province of Ljubljana were left temporarily without any controlling administration. Large towns were occupied by guerilla bands. Then specialised German detachments started a series of campaigns which have so far secured the reconquest of the entire Dalmatian coast as well as some of the important islands. In the north, fighting is reported to have shifted to districts near the Hungarian, and even the Roumanian, border. Another scene of activity is eastern Bosnia. In Greece rival factions among the guerillas, in possession of large parts of the country, are sometimes actively fighting each other. The Germans have been forced to divert considerable numbers of troops to the Balkans; but most of them have moved to the south, presumably to take up defensive positions against invasion and to attempt the re-

conquest of the Aegean islands. Only small German detachments have been left in the north to deal with the guerillas, and most of the latter have fallen back into the mountains, where they constitute a potential threat to the German forces. The guerillas are doubly at a disadvantage. First, there is their traditional political internecine strife; and, secondly, they are opposed by regular units of the German army which also control the military detachments of the Croat Ustasha. In Macedonia units of the regular Bulgarian army are being used against the guerillas; and in Serbia proper General Neditch is in command of the so-called Serbian Security Service and the police, subject to the control of the German military commander.

It seems certain the Germans have no intention of withdrawing from the southern Balkans. Greater Bulgaria is obviously the main buttress of the German political system in the Balkans. "Independent" Croatia, which has been given the Dalmatian coast, comes second in importance, and Serbia under General Neditch third. In Greece the Germans seem to be content to use the differences between rival political and guerilla groups to their own advantage. The idea of a Balkan entente sponsored by Germany appears most unlikely, for the Germans are in fact more interested in exploiting traditional rivalries between the small Balkan countries. Complete pacification of the Balkans, or even an effective military occupation of all parts of the Balkans, is impossible. The main German objective is to secure rail and road communications, to occupy the major strategic positions and to operate a network of aerodromes. The extension of railways and roads has been vigorously carried out, particularly in Bulgaria and Roumania. Work on fortifications, which reached a peak last spring, has been resumed with even greater vigour since the fall of Mussolini. The Balkans are vital for Germany's defence and their policy shows that the Germans intend to maintain their hold.

Shorter Notes

His Royal Highness the Duke of Gloucester will succeed Lord Gowrie as Governor-General of the Commonwealth of Australia. Lord Gowrie's term of office has been further extended for six months from January 22, 1944. This will cover the period before Princess Elizabeth, in whose minority the Duke would have acted as Regent, reaches her eighteenth birthday and could exercise the full functions of a sovereign or, under the new Regency Act, become a Counsellor of State in the event of the King's illness or absence from the United Kingdom.

The Canadian Legation in Washington has been raised to the rank of an embassy—another sign of Canada's Great Power status. The United States Legation in Ottawa will similarly become an embassy.

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-June.....	1,830	2,515	4,345
July.....	167	210	377
August.....	108	164	272
September.....	5	11	16
October.....	118	283	401

Totals to date.... 50,088 59,673 109,761

Of those killed in October, 53 were men, 48 were women and 17 were children under 16.

AMERICAN SURVEY

The South and the World

(From a Correspondent in Virginia)

Richmond, October 18th

THE Southern section of the United States, i.e., that region which constituted the Confederacy in the sixties of the last century, is the most interventionist, and least isolationist, part of America. In the debates leading to the establishment of an international organisation after this war, the South can probably be counted on to give enthusiastic support to anything which promises a close working arrangement between this and other nations, and particularly between the United States and Great Britain.

The South's Anglo-Saxon background is one of the chief reasons for its strong opposition to isolationism. Except in Louisiana, which is predominantly French in its origins, and in all the states touching the Gulf of Mexico, where faint Spanish overtones are discernible, the South is settled by people of English, Scottish and Scottish-Irish blood. It has no large blocs of Germans, Italians or Irish. Thus there is not only the tie of blood between its citizens and those of England and Scotland, but there are at the same time no large groups such as have formed pro-Axis or anti-British nuclei elsewhere. Other reasons enter into the South's general attitude, such as the sympathy which many influential Englishmen showed for it during the Civil War of 1861-65, and the dependence of its cotton and tobacco farmers upon foreign markets, particularly British markets, in normal times. There is also the South's martial tradition (most of its great heroes, such as Washington and Lee, were soldiers).

The Gallup poll, and various other polls taken in this country since the Munich crisis of 1938, have shown the

belt of territory which stretches from Virginia on the northeast to Texas on the southwest to have been the least neutral of all in its attitude, and the most anxious to take steps which might lead to American belligerence. Before Pearl Harbour, the percentage of volunteers from the South to the army and navy was the highest in the Union. For some reason, that leadership was not maintained after the Japs struck, late in 1941, although Southerners have been conspicuous for their fighting qualities on all the battlefronts. The celebrated Virginia Military Institute, alma mater of "Stonewall" Jackson, has supplied an extraordinary number of high ranking officers to both major branches of the service, notably General George C. Marshall, who was graduated from the VMI, and not from the United States Military Academy at West Point.

One of the chief obstacles to the establishment of a decent world after the war is likely to be high tariff sentiment in the United States and elsewhere. Manufacturing and other interests which have had "protection" in the past are apt to be most reluctant to abandon that protection in the future. The South always has been one of the low tariff areas of the United States. The tariff was regarded more than a century ago as "utterly destructive" of the South's interests, and it is so regarded today. This is realised generally by the Southern people, although there are industrialists who feel otherwise. Secretary of State Cordell Hull, who comes from the Southern state of Tennessee, has impressed the citizens of the region with the primary importance of freer international trade, and they have acquired that realisation from other sources, as well. A Gallup poll in 1938 showed the people of the South to

be 92 per cent favourable to the principle underlying Secretary Hull's reciprocal trade agreement programme.

Cotton and Tobacco

Southern manufactures, which are considerable, are less dependent upon foreign markets than Southern agriculture, but processors of the former Confederacy's huge crops of cotton and tobacco are important in the industry of the area. Immediately prior to the present war, the region was exporting from 50 to 60 per cent of its cotton, and 40 per cent of its tobacco. The producers of these staples hope to regain, and to expand, their export markets when peace returns. The tariff has always forced the predominantly agricultural South to buy in a protected domestic market, while selling most of its products in an unprotected foreign market. Thus one of the most important factors of all in building up isolationist sentiment—a desire to retain the tariff—is much weaker in the Southern states than elsewhere.

There are still other reasons, in addition to those mentioned, why the South, which has not favoured some of President Roosevelt's more advanced domestic measures, has been a bulwark of the Administration's foreign policy, not only since war was declared on the Axis, but before. Lend-Lease would have been beaten in Congress had it not enjoyed the overwhelming support of the Southern members, and extension of the draft, when its first year expired in August, 1941, slightly more than four months before Pearl Harbour, also would have failed, but for the South. As it was, the disbanding of the new American Army in that grave crisis was avoided by only one vote in the House of Representatives. The rôle which the Southern members played in saving the day may be seen in the fact that whereas representatives from twelve Southern states cast 102 votes in favour of extending the draft, and only six votes against it, the House delegations from eleven Middle Western states voted 100 to 18 in the negative.

Despite the foregoing, there are one or two factors in the Southern situation which tend to militate against its acceptance of internationalism. One is the region's conservatism and its consequent aversion to Communism. This creates something of a barrier in the way of a close tie-up with Soviet Russia. The other is the traditional Southern devotion to the doctrine of states' rights (the issue that had much to do with bringing on the Civil War),

a doctrine which probably implies a certain reluctance to see the country join a "super-state." But the feeling against Communism does not seem to have affected the attitude of the South as a whole in any important particulars, and the dogma of states' rights is far from having the force that it once had in this section.

In all candour, it must be said, however, that the South does not now, and probably will not, support the very advanced form of internationalism represented by Vice-President Henry Wallace. Mr Wallace, whose views on the domestic front are more left than those of Mr Roosevelt, is also ahead of the President in the foreign sphere. While he has been unjustly criticised and misrepresented, especially by conservatives and reactionaries, he is widely regarded, both in the South and elsewhere, as rather too visionary for the average American, certainly for the average Southerner. Political observers are practically unanimous in saying that Mr Wallace will be a political liability to Mr Roosevelt in the South if he is placed on the ticket with him again next year as vice-presidential nominee.

But if the South is tending away from the views of Mr Wallace, and is moving in a more conservative direction, so is Mr Roosevelt, whose ability to sense popular sentiment is almost unparalleled. This would indicate that the country as a whole is moving rightward. However, such phenomena should not be taken as signifying that the President or the country is preparing to jettison international collaboration after the war. On the contrary, Mr Roosevelt appears to be moving toward the right in order to increase his strength with the country, and particularly with the Senate, which must ratify any treaty by a two-thirds vote.

Certainly the South gives every indication of an intention to support him, when the show-down comes—assuming that he will be in the White House for another term. Should he be defeated, it will support his successor when and if the new President seeks to organise the world for peace. Nearly a quarter of a century ago, the South stood by Woodrow Wilson almost solidly, when that Southern-born statesman sought to carry the United States into the League of Nations. Only five Southern senators voted against the covenant when American adherence was finally defeated in 1920. This would be apt to cast negative votes if a similar issue were presented today.

Puerto Rico Development

(From an American Correspondent)

Washington, October 3rd

LIBERALISED home-rule for Puerto Rico, including a popularly elected Governor, moved a step nearer the goal last week when President Roosevelt sent to Congress and made public a revised Organic Act, into the drafting of which a committee of four Americans and four Puerto Ricans put three weeks of labour last July.

In Washington, thirty members of Congress, polled for comment by the United Press, declared the document a model of progressive statesmanship, a Bill as forward-looking as any ever drafted for the welfare and political future of American territorial areas. They expressed the belief that Puerto Rico is thoroughly competent to exercise democratic processes of government. Sixty Congressmen polled by the Associated Press expressed similar sentiments. While early reports from Puerto Rico described the population as generally jubilant, it is still too early to ascertain the precise degree of enthusiasm in each of the various political parties of the island.

Preliminary estimates, both in Washington and Puerto Rico, indicate that the Bill can be interpreted by each of the respective groups of those who support a "logical political future" of the island, as a clear interim step towards statehood . . . towards a commonwealth . . . towards independence, or towards any intermediate shade of status. Even Senator Millard Tydings, father of the Independence Bill which would give the Filipinos complete freedom on July 4, 1946, and who in April prepared a somewhat similar Independence Bill for Puerto Rico, is surprisingly acquiescent. He assured the press that the present Bill in no way interferes with his independence plans—that it is, in fact, a logical interim arrangement.

His Bill has the backing of a small, orderly, but aggressive group in Puerto Rico which is headed by the owner of several large hotels in San Juan and other lucrative business interests throughout the island; this "independista" declares he will abolish income taxes and set labourers' wages back to the scale prevalent in the "good old days" when he achieves his goal of independence for the Island.

If enacted, the proposed Organic Act will establish a precedent by declaring it to "be the intention of Congress that no further changes in the Organic Act shall be made except with the concurrence of the people of Puerto Rico or their duly elected representatives." The Bill would create a Joint Advisory Council to "study and report to the President and the Congress of the United States on necessary and desirable changes in this Act." This Council would be composed of the Secretary of the Interior, as chairman, the Governor of Puerto Rico (who would be elected by the islanders) and the Commissioner General (who would be appointed by the President to co-ordinate Federal activities in the island), all as ex-officio members; in addition, there would be four persons appointed by the President, and five appointed by the Governor to perform the actual, day-by-day labour. This body is instructed to "study and report on the United States and Puerto Rico, which proposals shall, when and as approved by Congress, be submitted to the people of Puerto Rico for their decision."

If the section of the Bill creating the Joint Advisory Council is adopted by Congress without change, it will, in some measure, forecast the temper of the Washington legislative body with regard to future rehabilitation aid to the island, for it specifically instructs the Council to "study and recom-

mend a comprehensive economic programme to be made operative over a period of years, the purpose of which shall be the economic rehabilitation of the island." The Council would report from time to time, but not less frequently than once every two years, beginning on January 1, 1946.

So tight-lipped were the Puerto Rican and American drafters of the present Bill, and not until President Roosevelt's announcement of its contents last week were any of its features known, with the single exception of the fact that the Governor would be elected by the islanders instead of appointed by the President as heretofore. On this latter point speculation has been rife in Puerto Rico for many months. The Latin blood of Spanish-Americans traditionally effervesces over political issues, and this will be the greatest issue in the history of the island. There is probably not a man in the island who does not covet the distinction of being the first duly elected Governor of Puerto Rico.

"Bread, Land and Liberty"

In power at the present time is the Partido Popular Democrático, whose wild-fire campaign slogan of "Bread, Land and Liberty" in 1940 upset the long-established political apple-cart and bounced them into office over the anguished and hind-sighted groans of their complacently confident opponents. Their campaign appeal was directed at the *jibaros*—the peons—whose political consciousness was limited to the fact that on one day, every year in four, you received a fifty cent piece from your employer, in return for which you dropped into the ballot-box a ballot marked as your employer designated. Travelling through the mountains on horseback, Luis Muñoz Marín, leader of the Populares, prevailed upon the "commonsense" of the *jibaro*. "Bread for the whole year is better than fifty cents for a day," he told them. In an island where bread, as well as land, is at a premium, it was not surprising that the slogan of the Populares had some appeal.

Since their election, the Populares have promulgated an elaboration of a programme of development originally drawn up by a group of islanders at the time the New Deal was beginning operations in Washington. The Federal agency set up to administer the rehabilitation programme at that time was known as the Puerto Rico Reconstruction Administration; and over a period of six years it expended around \$70 million in Federal funds on land resettlement, urban and rural housing, soil conservation, co-operative sugar centrals, health clinics and schools. When Congress discontinued the appropriations in 1941, the PRRA had done a good job. But it had merely scratched the surface. Only a long-range programme could cover the ground.

Attacking a part of the rehabilitation problem directly at its roots, island leaders now are attempting to get some land into the hands of the *jibaros*. The law limiting the corporate holdings of agricultural properties in the island to 500 acres, that was placed by the Congress in Puerto Rico's first Organic Act of 1900, and reaffirmed as a policy of Congress in 1917 by its inclusion in the revised Organic Act, has been totally disregarded by both continental American and Puerto Rican corporations. Until some redistribution of land is accomplished, the earnings of the land, now mainly in the hands of the larger sugar companies, will continue to flow out of the island. To support the programme of land acquisition, its advocates have the opinion of the Supreme Court of the United States which in 1940 upheld the constitutionality of the 500-acre law.

Implementation of the law has moved forward since April, 1941, when the Legislature of Puerto Rico established a Land Authority, "to promote the welfare of the inhabitants of Puerto Rico through the financial stability, social justice and economic freedom of the farmers, labourers and inhabitants in general of the rural districts of Puerto Rico, by providing an improved distribution of agricultural wealth. . . ." Negotiations are now in progress for the purchase by the Puerto Rican Government of the land-holdings of one of the largest and most successful American sugar companies. The company will probably continue to operate the grinding mill, but the land will be parcelled out, as some land in other parts of the island has already been, to small farmers.

Many Caribbean areas to-day are attempting to solve their land problems, each in a different way. Puerto Rico has adopted a system of proportional-profit farms. Under this system, the Land Authority leases lands in parcels of from 100 to 500 acres to farmers, agronomists or other persons with experience in agricultural management who meet certain rigid qualifications. Under a contract with the Authority, which fixes conditions, the lessee cedes parcels of from one to three acres to each of the families of the labourers residing on the farm, without payment. On its small parcel, each family is

expected to produce for subsistence. Labourers residing on any given farm are free to work or not work on that particular farm. But, realising that only large-scale farming operations can be thoroughly successful in this day of mechanised operations, the Land Authority requires that a certain portion of the farm be worked as a whole. For that job the labourers who work on that farm receive daily wages and, on a specified date each year, a part of the net profits in proportion to the days they have worked. The lessee himself receives from 5 to 15 per cent of the net profits.

Yet, even if all of the land were divided among the people, there still would not be enough for subsistence. For the island, 100 miles long and 35 miles wide, already accommodates 2,000,000 inhabitants and has an abnormally high birth rate. It is one of the most densely populated agricultural areas in the world, with about 530 persons to the square mile.

To offset the agricultural restrictions which these conditions impose, Puerto Rico to-day has embarked upon a planned programme of industrial development. Toward this end, the Puerto Rico Development Company was established by Legislative Act of May, 1942, carrying an appropriation of \$500,000. The company may issue up to \$5,000,000 in bonds, and its purpose is the development of industries through its own or private capital, or through a combination of both. The Development Company is now successfully engaged in the operation of a cement plant. It has a bottle factory under construction which is expected to go into production in December, turning out rum containers and other glassware, not only for Puerto Rico, but probably for nearby islands. Products from bamboo, clays, sugar-cane fibres, coconuts, fish, all are in various stages of development, and many more are in blueprint form. High on the list for development is "synthetic beefsteak," or food yeast, to supplement the protein deficiency in the diet of the islanders. Ten young Puerto Rican scientists have been awarded fellowships by the Development Company, after competitive examinations, and are now in the States learning, by working, the technical skills needed in their island. Another group of twelve young technicians has been sent by the company to Louisville, Kentucky, to learn the process for producing food yeast at the Seagram plant.

American Notes

Coal and the Little Steel Formula

Statements on the coal contract between Mr Ickes and the United Mine Workers have been issued both by the public members and the industry members of the War Labour Board. The public members are at pains to insist that the award is within the limits of the "little steel" formula, because the increased earnings will then "all be in payment for increased production of coal." Technically this may be correct, although it is hard to see how payment for travel-time from mine-head to the face, which apparently is included in the award, can be justified on this score. It is, moreover, open to question whether increased production will in fact, balance the increased earnings. Last summer the Board flatly refused to consider portal-to-portal pay on the grounds that it was inflationary. The operators seem likely to secure an increase in the price of coal. From a wider point of view the increased earnings cannot but be inflationary. No increase in coal production will enlarge the supply of civilian goods on which the increased "take-home" pay is to be spent; the only justification for juggling with the terms of the award to make it fit the formula lies in heading off new wage demands. In this the Board has plainly failed. The public members admit that, owing to the complexities of the award, many people have been rightly or wrongly led to believe that the wage stabilisation line has been breached. The wish may have been father to the thought in some cases, for if the line is breached at one point, the case for all controls is correspondingly weakened. But the fact remains that the damage is done. The WLB will have a more sympathetic audience for its bitter, if implied, criticism of the Administration for dealing with the strikers before they returned to work, and for its suggestion that the events of the last weeks may require further legislative action unless labour, and in particular, the Mine Workers, show that they are willing to abide by the no-strike pledge. The industry members were even more vigorous than the public members in urging Congress to put more teeth into the anti-strike laws. The pattern continues to repeat itself. Congress will not be slow to act;

and Mr Lewis will have fastened yet another set of shackles on his fellow labour unions. Meanwhile the open breach between the WLB and the Stabilisation Authorities on the one hand, and the Ickes "appeasement policy" on the other, remains unhealed and unedifying. It is responsible for a revolt on the part of the railroad non-operating unions, which have challenged the Stabilisation Director's authority to veto wage increases and have asked for a Congressional resolution to make their increase effective.

A Drop in the Bucket

The House Ways and Means Committee has completed its major operation in the Treasury tax proposals. What is left is an increase in revenue amounting to \$2 billion, instead of the \$10½ billion requested by the Treasury. The main sources of new revenue are an increase from 90 per cent to 95 per cent in the corporations' excess profits tax, designed to bring in \$616 million more, moderate increases in income-taxes for those already paying them, and increases in excise, transportation, and other similar taxes. The Bill will be taken up by the House on November 22nd, the Senate hearings will start when the measure has passed the House. The only strong disagreement between the two is likely to be over the increase in the excess profits levy, which is opposed in the Senate. If the Treasury could be criticised for not seeking out the sources of increased war-time incomes in the lower income brackets, Congress is even more to blame for hardly seeking out new revenues at all. This is ominously like a sit-down strike. The only subject which stirred up real interest in the committee was an attempt to limit the practice of "re-negotiating" war contracts, by which excessive profits are recaptured for the Treasury—and this seems somewhat out of place in a revenue Bill.

Reverse Lend-Lease

Publicity for Reverse Lend-Lease on the scale secured last week by the President's Message and the British White Paper was sorely needed. A recent Gallup poll showed that two-thirds of those questioned did not believe that Great Britain furnished any aid to the United States under Lend-Lease and that nine out of ten were ignorant of the basic principles of Lend-Lease. Ignorance of this magnitude is not to be dispelled overnight, but in view of the immense amount of space devoted to the subject in small-town papers as well as the great metropolitan dailies, there is no longer any need for those who wish enlightenment to remain ignorant. The great advantage of giving totals which for the first time were susceptible of some comparison was to secure attention which could no longer be gained by mere listing of categories of aid. Certain disadvantages cannot be dissociated with this departure. They were both illustrated in the comments, despite their mainly favourable nature. One was the tendency to concentrate on the figures without giving equal weight to the reservations as to their incompleteness or the accompanying interpretation. "Britain gives billion compared to U.S. 14 billion" was one misleading headline; others concentrated on the ratio of one to five. The other danger is that of concentration on the balance between the United States and Great Britain, without equal attention to British contributions elsewhere. The Senate investigation will no doubt spur the demand for exact accounts. In many quarters there has been a keen appreciation of the undesirability, and the impracticability of dollar measures, and the totting up of a final debt. But it would be dangerous to count too heavily on this, at least as yet, or to imagine that the pleas of blood and toil will completely dispel the belief in the existence of a debt.

Hey Diddle Dilling

The customary decorum of English Speaking Union meetings was rudely shaken last month. A Chicago gathering, at which Mr John Cowles, the newspaper publisher and formerly of the OWI, and Mr Graham Hutton, of the British Information Services and formerly of *The Economist*, were scheduled to speak on Lend-Lease, received rough handling from Mrs Elizabeth Dilling and some of her cohorts. Mrs Dilling, of "Red Network" fame, one of the more notorious small-time pseudo-Fascist leaders, who is out on bail, and naturally anxious to put every moment to good use, invaded the meeting with the purpose of breaking

it up by the judicious use of booing, heckling, and "fixed" questions. With additional police protection, the speeches succeeded in being delivered, and interference never became real disorder, but solid citizens had their faith in Chicago's civic discipline undermined. The *Sun* next day had no hesitation in placing Mrs Dilling and her hard-faced ladies only second to the Axis in the list of America's enemies; and attacked the *Chicago Tribune* as primarily responsible for creating an atmosphere attractive to these gangs. There seems to be no doubt that Chicago is the new wartime headquarters for many of the groups, like the Christian Front, the Silver Shirts, and We, the Mothers, who have found themselves being frozen out elsewhere. Mrs Dilling's "Red Network," published in the early thirties, purported to find in lists of liberals, democrats, and radicals of all descriptions, evidence of a deep-laid Soviet plot to conquer the United States from within. Time passes on; and to-day a more useful study might be made of Chicago's flourishing Black Network, which is anti-British, but is more dangerous for its exploitation of war-time strains and racial tensions.

Gogo and Gopo

The appointment of Mr Bernard Baruch as head of a new unit in the Office of War Mobilisation to deal with war and post-war problems of adjustment was announced this week. It will be his job to develop unified policies for the various war agencies. The first problems will, of course, deal with current adjustments demanded by changes in strategy and conditions on the home front. But Mr Baruch's appointment is being welcomed chiefly on the ground that it is an assurance that the liquidation of the Government stake in industry will be carried out with dispatch and method. This stake is enormous by any standard. Government ownership of war-built plant has exceeded a total of \$15 billion compared with private financing of just over \$4 billion. Government-owned plants are distributed among industries producing aircraft (\$3 billion), ships (\$2 billion), explosives (\$2.9 billion), iron and steel products (\$1.2 billion), non-ferrous metals (\$1.1 billion), chemicals (\$1.3 billion), and a number of others. At the end of the war the Government will own nearly 100 per cent of the country's capacity of synthetic rubber, 93 per cent of magnesium capacity, 50 per cent of aluminium, 50 per cent of machine tools, and 90 per cent of aircraft capacity. Some of these plants are both Government-owned and Government operated—GOGO in Army terminology; others are GOPO. Government productive facilities in some industries and areas are so enormous that they could swamp privately-owned plant; and the anxieties of business as to the method of liquidation is correspondingly acute. In about 50 per cent of the Government-owned but privately-operated plants, the operator has an option to buy the plant at cost less depreciation or less rental income, whichever is greater. If building costs and other factors make purchase desirable, this will simplify Mr Baruch's task. But he will still have to consider the disposal of non-convertible war plants, the convertible plants which are not bought up, the disposal of Government supplies and the liquidation of war contracts in such a fashion as to minimise unemployment. The precedent of the last war is one not to be followed. Although Government investments then totalled only \$500 million, the pressure for speedy liquidation was so great that much plant and equipment was sold for a song, and much was scrapped, a monstrous waste of resources. The Chamber of Commerce recently urged the highest possible realisation from the liquidation, combined with avoidance of disturbance to private enterprise. The reconciliation of the two, if "realisation" is to be taken in its larger sense of real advantage rather than merely purchase price, will be Mr Baruch's main headache.

Shorter Note

Progress is being made in converting war contracts from a cost-plus-fixed fee basis to fixed price and employer incentive types. In 1940 Congress made illegal the old cost-plus-10 per cent contract of the last war, but experience proved that procurement agencies could not secure production with fixed-price contracts. With more production experience, contractors are now willing to return to a fixed-price basis. The advantages lie in keeping costs low and eliminating the possibility of hoarding labour at government expense.

THE WORLD OVERSEAS

Social Credit After Aberhart

(From Our Ottawa Correspondent)

October 4th

WHEN the late Premier, William Aberhart, of Alberta died in May, he left an estate of \$57,000. This would be a tidy sum for any Canadian prairie schoolteacher, such as Mr Aberhart was. Much of the estate, besides real property in Vancouver, was in cash. Most of the cash was in savings accounts in chartered banks. The man whose political career was founded on opposition to "money power" and "high finance" had little use for bonds or stocks. A small proportion of his money was on deposit in the Alberta treasury branches, and it is evident that Mr Aberhart did not regard the treasury branch system, which his Government had established in 1938 as an "interim programme" of Social Credit, with his fullest confidence.

Recently the Alberta Government, in which Ernest C. Manning, protégé of Aberhart in politics and disciple in the prophetic Bible interpretations, has succeeded to the premiership, undertook to reorganise the treasury branch system. No longer does anyone expect the treasury branches to flower into a unique and unorthodox Social Credit banking system in which the citizens of Alberta will obtain the dividends of \$25 a month which Aberhart promised in 1935. Opened originally to provide savings and deposit banking facilities for Albertans who did not trust the regular banks, the treasury branches were used also to provide a bonus on consumption of Alberta-made goods. This bonus, amounting to five per cent, was payable on all funds used to purchase goods made in Alberta. This form of economic provincialism has now been abandoned, as a failure, and deposits will in future bear only two per cent interest, a rate comparable to savings bank interest of 1½ per cent.

The treasury branch system has incurred a deficit of \$1,102,456 since it was established, and this sum may reach \$2,000,000 next year. The system has handled only a negligible portion of the normal commercial and savings business of the people of Alberta. The reorganisation is designed, said Premier Manning, "so the entire overhead costs may be offset by investments and other earnings." In other words, the Alberta "bank" system will make loans on mortgages and other security, in order to earn the costs of operations. In circles where money was once regarded as emanating from the end of a fountain pen, this is a considerable concession to orthodoxy. A surprising feature is that the Social Credit Government's new lending business is conducted at the same or higher rates of interest than that of the established financial institutions, against which much of Aberhart's thunder was long directed. The treasury branches have already made loans to farmers at six per cent, a figure once bitterly denounced by Aberhart and Manning as usury.

As an economic theory, Social Credit is dead in Alberta, as dead as Aberhart. The new status of the treasury branch system shows that all thoughts of unorthodox financial experiment have disappeared. On the other hand, the Manning Government is now seeking to refund the provincial debt. Not for the purpose of borrowing money for provincial purposes, but merely to restore the standing of private investments in Alberta, the Government entertains hopes of securing a refunding that will permit it to reinstate all defaulted maturities and reach a settlement on defaulted interest. Since April, 1936, when the Aberhart Government quarrelled with Ottawa and failed to obtain assistance in meeting a maturity, the accepted policy of Alberta has been to allow all maturities to fall into default despite its capacity to pay. On this score, defaults amount to \$31,300,000 to-day. Since June, 1936, the Social Credit Government has refused to pay more than half the coupon rate of interest on its provincial bonds. On this score, the default in interest amounts to \$22,000,000. As a result, Alberta has been paying an average rate of 2.44 per cent, chiefly because the Social Crediters regarded that rate as high enough. The province has enjoyed heavy yields in taxation, and has had an excellent cash position for several years. To refund, the Govern-

ment offered to pay 3½ per cent and clean up all defaults on that basis. The bondholders have asked for 4 per cent. Whether or not refunding can be arranged on the whole debt, which would include \$120,000,000 in Alberta securities, is not known, but the Alberta Government has set this as one of its major objectives.

A Dying Movement

Politically, the Social Credit movement is dying out. There was a marked decline in the voting strength of the Aberhart movement between 1935, when Social Credit first swept into office, and 1940, when the Government was re-elected with decreased majority. Since then, two substantial opposition groups have made progress in Alberta. The Independents, representing a right wing coalition of Liberals, Conservatives and others, are the formal opposition and have 19 seats in the legislature of 55 members. They offer the kind of government already operating in Manitoba and British Columbia, where coalitions are in office. The other opposition group, the Co-operative Commonwealth Federation party, has only one seat in the legislature, but its claims to progress in attracting voters can hardly be denied. The CCF has recently risen to the position of a major force in Canadian politics, and its origins were laid in Alberta in 1932.

The Alberta Government, like the Federal Government and other provincial governments in Canada, is preparing its postwar plans. This year's budget set aside \$1,000,000 for postwar public works. This fund may be increased greatly before it is used. There is no strange or unique philosophy of finance in this type of postwar planning. When the war ends, there may come a rainy day in which roads must be constructed to provide employment and to promote the economic development of Alberta. The provincial government will have money on hand for these purposes. Unlike the original theories of creating credit by writing entries in a ledger, the postwar funds of Alberta are coming out of tax money. As its people contemplate the future, there is little left in Alberta but the memory of Aberhart's prophetic economics, in which the new age would be ushered in with free dividends, costless credit and permanent prosperity for all.

Roumanian Anxieties

[BY A CORRESPONDENT]

November 9th

A YEAR ago, Roumania was so far removed from the scene of actual fighting in Russia that the Government felt safe enough to turn its activities to the exploitation of reoccupied Bessarabia and the Russian Odessa district, renamed Transnistria and handed over by the Germans to Roumanian administration. At present, Russian troops at Kiev are only

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.

150 miles from the Bessarabian border and 200 miles from the 1940 frontier as the crow flies. From Kherson to Odessa it is 100 miles and to the mouth of the Danube 250 miles. The war has moved nearer to Roumania, and the new colony of Transnistria will probably soon be lost. The present Government must take into account the possibility that the Russian armies may march through Bessarabia into Roumania proper, with its oil resources which are indispensable for Germany.

The critical military and political situation coincides, paradoxically enough, with a considerable recovery in the economic situation because of the good grain harvest. Shortly before Mussolini's fall, the Government made a show of an improvement in political and economic relations with Italy. Since Mussolini's fall, however, there have been reports of peace feelers and of sabotage in war factories. The analogy between the internal situation in Roumania and in Italy is at first sight tempting and lends substance to these reports. There is a dictatorship, and there is a king who could form the centre of opposition—indeed, there have been many stories which pointed to differences between the king and Marshal Antonescu. There are, however, great differences, internally as well as externally. Economically as well as from a military point of view, Roumania is of greater importance to Germany than was Italy, whose loss was primarily one of political prestige. If Roumania were lost by a separate peace move or occupation by Russian troops, Germany would have to use every ounce of strength still left to recover the territory. The loss of Roumania would mean the loss of the Balkan countries and immediate danger to Hungary.

Industrial Production

During the course of the war, Roumania's industry has been adapted step by step to some kind of war economy after the model of Germany's totalitarian economy. The process is still not complete, and the general conditions in this peasant country, with few industrial centres, may prevent a fully functioning war economy from being established. As long as official policy was content with expropriating Jewish businesses, no actual advance in industrial activity could be reported, in spite of steadily growing German influence. Roumania's industry is still dependent on foreign raw materials and machinery, which is particularly marked in the textile and iron and metal industries. During 1942, only 3,000 tons of cotton and 5,000 tons of cotton yarn were imported. The rubber industry, with an annual demand of 3,000 tons of rubber, is trying to build up, in collaboration with the German concern, *Continental Gummiwerke AG-Hanover*, the production of rubber from the koksagys plant. This year, cultivation is reported to have yielded 27 tons, which is less than one per cent of the former demand. Before the war, the steel output was only about 200,000 tons, which means that war production depends on imports from Germany.

Last year, the manganese output reached 35,000 tons, which is below the pre-war figure of roughly 50,000 tons. The output of molybdenum ore was 10,849 tons, of copper ore 69,000 tons, of chromium ore 500 tons, and of iron ore 150,570 tons. The total output of coal amounted to roughly 2½ million tons, of which 88 per cent was brown coal, and imports from Upper Silesia were necessary. Half of the coal output was used by the railways. The generation of electricity increased to 600 million kwh. and was produced mainly by diesel engines. Solid fuel and the considerable resources of natural gas are used for replacing oil in factories and for heating buildings in towns. The control of the iron and steel industry, which began with the allocation of castings, rolled material and iron sheets, has now been extended to all finished articles. The Central Department for the Iron Industry, established in March, 1941, also controls imports and exports. The Industrial Federation stated that 70 to 80 per cent of the entire industrial output is for war purposes, and there is no doubt that the attempt to mechanise agriculture out of Roumania's own production of machinery had to be postponed.

Considerable efforts have been made to maintain the oil output, but new borings have only sufficed to prevent a

serious decline. The Ministry for Economic Affairs has now taken over full control of the entire oil industry for the duration of the war, and in July, nineteen leading oil concerns formed a working committee for increasing oil production. The vague reports on the actual output of oil suggest that the average daily output is at present slightly smaller than in 1942.

The most serious problem of Roumania's war economy is the control of prices. From the simple fixing of maximum prices, which were never effective, a General Commissariat for Price Control has emerged with district and local offices all over the country. Since August, 1939, the wholesale price index has increased by nearly 400 per cent. The movement of retail prices is largely influenced by black market activities, and the general situation can be judged by the fact that textiles and clothing are considered luxuries. One of the main sources of state revenue is the income of the tobacco and salt monopolies. In 1942, the tobacco monopoly yielded 18,700 million lei, against 8,700 million lei in 1941. The consumption of tobacco, however, increased only from 11,667 tons to 12,929 tons. The price of tobacco has been raised several times. Although the price of wheat has been fixed at 260,000 lei per wagon (10 tons), the good harvest created the anomalous situation that peasants were forced to sell wheat below this price. The famous price scissors, that is, the difference between comparatively low agricultural prices and high prices for industrial articles, are open wider than ever before.

The control and organisation of workers in industry is entirely modelled after German institutions. A "Work Book," which makes control easy, has been introduced just as in Germany. The new *Munca si lumina* organisation is the Roumanian counterpart of the German "Strength through Joy." It is said that 718 local groups have already been formed. There have been no strikes so far during 1943 after they had been declared illegal in 1942. Direct German interests, already strong in agriculture and industry, have obviously been extended to cover the control of workers. The German Ambassador, von Killinger, recently decorated a number of workers and industrialists for outstanding work. The vital sections of Roumania's economy are thus in German hands, and it seems that the control of the Roumanian Government by the Germans has been considerably tightened since the fall of Mussolini.

West African Cocoa Problems

[BY A CORRESPONDENT]

November 2nd

THE West African cocoa trade has just entered its fifth war season. The 1943-44 main crop is now being gathered, and it is officially estimated that the crop, though remaining well below the record figures of 1935 and 1936, will be equal to an average pre-war crop, that is, about 225,000 tons in the Gold Coast and slightly under 90,000 tons in Nigeria. These two countries are the world's largest and third largest cocoa producing areas respectively, and in normal times used to supply together between one-half and three-fifths of the world's supplies. As far as can be ascertained from the incomplete data of other cocoa producing regions, British West Africa has retained its relative position as a cocoa producer during the war, although its share in actual world sales may have declined somewhat.

Yet the position of the West African cocoa trade in this war differs very much from its position in 1914-18. In 1909-13, world production of cocoa (according to the League of Nations statistics) amounted on an average to no more than 232,000 metric tons, of which the whole African Continent supplied 81,300 tons, or less than one-third. The great bulk of the remainder used to come from Central and South America. During the last war the foundation was laid for the vast expansion in the African crop, which has since then determined the international cocoa position. At the outbreak of this war, world production of cocoa beans amounted to roughly 700,000 tons, of which British West Africa, French West Africa and the Belgian Congo together supplied over two-thirds. The rise in African production had resulted in a big decline in world cocoa prices. Accra (Gold Coast) cocoa, which had cost about 60s. per 50 kilos before the last war, fell to well below 30s., on the average, in the last years preceding this war. The lower prices greatly helped to expand the market for this valuable food product, and imports into the chief consuming countries

in the last pre-war years remained only slightly below current production. The war has, however, completely dislocated the cocoa markets. It is true that the two leading consuming countries, the United States and Great Britain, have retained access to the producing areas, although the shipping shortage has at times seriously hampered their imports. But the European mainland, which before the war used to absorb over one-third of world shipments, was soon cut off, and the economic and financial position of African cocoa growers was seriously endangered. In the Gold Coast, cocoa used to account for over three-fifths of all pre-war exports, in Nigeria its share was nearly one-fifth, in the Ivory Coast nearly one-half, and in the French Cameroons nearly two-fifths.

The British Government, indeed, took immediate action on the outbreak of war. In the first war season, which began on October 1, 1939, the whole of the British West African cocoa trade was organised under the "West African Cocoa Scheme," which was later extended to the rest of the African output. Under this scheme, the British Government, in co-operation with the local Governments, acquires the entire crop from the natives at fixed prices and sells the maximum possible quantities to the British Ministry of Food, the United States Government and some smaller Allied and neutral buyers. Originally controlled by the Ministry of Food, the scheme was taken over by the Colonial Office in the autumn of 1940. The Colonial Office acts through a special Government agency, formed in November, 1940, as the West African Cocoa Control Board and extended in June, 1942, into the West African Produce Control Board. In its trade transactions the Board has made regular use of "the normal trade channels."

Disappointing Results

The experience of the West African cocoa control since the outbreak of war has not been encouraging, as the curtailment of the market and the shortage of shipping prevented regular sales. In the first war season, the Ministry of Food lost £263,000 on its transactions, although the buying price paid to the natives of the Gold Coast, 9s. per load of 60 lb. (equivalent to less than 25s. per 50 kilos c.i.f. UK ports), was not a high one. In the second war season, owing to a cut of 20 per cent in the buying price paid to the natives

and to large United States purchases, this loss was not only wiped out, but, in addition, a surplus of £1,300,000 was achieved. As a result, the buying price for the third war season was raised to 8s. 6d. per load, but sales were subsequently so disappointing that by the beginning of the 1942-43 season the whole of the previous profit had been lost again. There are no details yet about the financial results in the season ended September 30, 1943, but the fact that buying prices paid by the Board to Gold Coast growers were reduced to 7s. 6d. per load in the 1942-43 season and to 7s. for the current season clearly shows that the Board must have accumulated a substantial debit balance.

There was, of course, never any hope of selling the great bulk of the crop during the war, but the financial losses incurred under the scheme were not only due to the decline in sales but also to serious deterioration in quality and to the destruction of considerable quantities of cocoa in West Africa. In view of the inadequate storage installations and the absence of cocoa processing facilities in the African cocoa regions, some deterioration and destruction were inevitable. But it remains to be seen—if ever a full official account of the West African cocoa scheme is published, as it should be—whether serious attempts were made in 1940 and 1941, when the Board had surplus funds and the possibility of obtaining supplies from the United States, to secure improved stores and processing facilities for the local production of cocoa butter, which would have reduced the losses of cocoa beans to a minimum. Brazil, the world's second largest cocoa producer, has not suffered from problems of surplus comparable with those in West Africa, but it has taken active steps to do this, which are likely to prove a permanent gain to its cocoa trade.

In the meantime, the interest in West African cocoa is beginning to shift to the post-war position. On the one hand, cocoa will play an important part both in relief work in liberated countries and in post-war nutrition generally. On the other, the reorganisation of the West African cocoa trade, proposed by the Royal Commission in 1938, will have to be tackled after the return to normal conditions. The post-war requirements for cocoa will be very large, and, with Brazilian stocks virtually exhausted through large shipments in the past twelve months to the United States, the great bulk of supplies must come from West Africa. It is

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

Do you expect A COLD this winter?

FOR many people, winter brings a long succession of heavy colds. If you suffer in this way, you will be interested in SEROCALCIN, an immunising course of which gives complete freedom from colds in the majority of cases.

How it is done

SEROCALCIN acts by stimulating the natural defence powers of the body. It enhances the resistive capacity against invading organisms that cause colds and prevents a cold before it happens.

Simple and Safe

The immunising course consists of 60 SEROCALCIN tablets taken at the rate of two daily for thirty consecutive days. In 80 per cent. of cases this course gives complete immunity against colds for a period of 3 to 4 months. There are no

"drugs" in SEROCALCIN—it is perfectly safe both for adults and children.

Proved by Tests

Tests by Doctors in private practice, Hospitals and Factories have established the claims made for SEROCALCIN and confirm its ability to give successful results in 80 per cent. of cases.

Supplies and Prices

Hospitals, Schools, Munition Factories and export trade have first claim on supplies, but most Chemists have adequate stocks. The immunising course of SEROCALCIN (Reg. Trade Mark) costs 8/5½, including tax. Industrial and School Medical Officers, nurses, welfare workers, Labour Officers and interested members of the public are invited to write for a booklet "Immunity from Colds," which will be sent on receipt of 1d. stamp.

For existing colds, too

If you already have a cold, SEROCALCIN will probably clear it up in 48 to 72 hours. The dose for this purpose is three tablets three times daily, and a small treatment pack of 20 Tablets (price 3/4½ inc. tax) is now available.

SEROCALCIN PREVENTS COLDS

Harwoods Laboratories Limited, Rickmansworth Road, Watford, Herts.

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, 44, TUITION HOUSE, London, S.W.19.

thus of great importance that, according to official information, the West African cocoa shipping position has lately considerably improved; this may allow the transport of greater quantities of cocoa beans to temperate zones, where the danger of loss through deterioration is far less than in the tropical producing regions. As all cocoa which can now be shipped will almost certainly find a ready market immediately after the war, shipments this season may help to restore the financial balance of the wartime West African cocoa scheme. The permanent reorganisation of the West African cocoa trade, which had become an important issue just before the war, does not appear to have attracted much attention since then. But interest in it is bound to revive, now that the British and local Governments have had practical experience in cocoa trading, and the question of securing direct African representation on any control scheme will be one of the chief issues to be decided.

New Chilean Cabinet

[BY A CORRESPONDENT]

September 20th

THE past few months have seen bitter struggles going on for party domination in Chile, and changes and rumours of changes in the Cabinet have been frequent. Ministers were often at loggerheads with the party chiefs, and a stage was reached when nothing could be arranged without the prior approval of the party in question. This was the more apparent within the Radical Party, which had several severe splits in its ranks on matters of policy and, on each occasion, its representatives in the Cabinet were called upon to resign. Next, the Socialist Party refused to co-operate in the government of the country, and a stage was reached on June 6th, on the eve of President Ríos' departure for the United States, when revolution or dictatorship by the military authorities seemed the only solution.

The President took a strong hand, cancelled his journey at a moment's notice, called on politicians to give up party struggles, and to unite for the nation's good, promptly formed a non-party Cabinet of loyal friends, and placed the Ministries of Defence and Home Affairs in the hands of the chiefs of the Army and Navy respectively. At that time, His Excellency declared it was his main hope that he could soon return to a democratic system of government with the co-operation of the parties which had voted him to the Presidency.

Since June 7th, a strong government on non-party lines has brought the country back to normal; bickerings have to all intents and purposes ceased; and the danger of a dictatorship has disappeared. The President's firm action and admonitions have fallen on fertile ground, and he is to be congratulated on steering his way through difficult waters. His temporary Cabinet resigned recently, as soon as he considered that the way was clear to revert to party lines of Government.

The new Ministry shows an important step away from the Popular Front Government of recent years, and has taken a very decided swing toward the centre. The Radical Party, which has the highest representation in Congress, and to which the President himself belongs, has the largest representation. The Democratic Party was offered a Cabinet post, but refused as it considered that its parliamentary representation warranted at least two Ministers. The swing towards the centre is shown by the inclusion of two members of the Liberal Party, whereas the remaining five portfolios are to be held by non-politicians. The portfolio of Minister of Defence has been given to the chief of the Army, a post he had held in the former Cabinet. The former Ministers of Foreign Affairs, Defence, Labour, and Health retain their portfolios in the new Cabinet.

The following is the new constitution of the Cabinet:—

Minister of:—	
Interior	Don Osvaldo Hiriart, Radical Senator and Lawyer
Foreign Affairs	Don Joaquín Fernández, non-party
Treasury and Finance	Don Arturo Matte, Liberal
Defence	Gen. Don Oscar Escudero, non-party
Economy	Don Fernando Moller, Radical
Education	Don Benjamín Claro, Radical
Agriculture	Don Alfonso Quintana, Radical, who held this post under the late President
Public Works	Don Abraham Alcaino, Radical
Land and Colonization	Don Osvaldo Vial, Liberal
Labour	Don Mariano Bustos, non-party
Justice	Don Oscar Gajardo
Public Health	Don Sotero del Río, non-party

This new Ministry has the confidence of the country, especially now that the Radical Party has settled its internal differences.

The cohesion and discipline formerly shown by the powerful Socialist party has declined rapidly during the past few months, owing to internal differences and fighting for party leadership. Don Marmaduke Grove, for many years the recognised leader of the party, has been ousted and his place taken by Dr Salvador Allende. Grove maintains the nominal leadership, but Allende is the executive leader. Despite these internal troubles, the party as a whole has only suffered temporarily in prestige.

The new Minister of Finance has briefly summarised his ideas and policy. He aims to help and protect all workers, whether manual labourers or otherwise. His main tendency is towards an economy controlled in an intelligent manner in order to benefit the great mass of the public. Owing to inadequate policies in the past, he is of the opinion that direct State intervention is very necessary, at least for a trial period, and asks for time in which to carry out his policy and for criticism to be reserved until the fruits of his labours can be seen.

Letter to the Editor

Marine Insurance

TO THE EDITOR OF THE ECONOMIST.

SIR,—May I offer a belated reply to the article from a correspondent you published some time ago on marine insurance? [August 21st, page 242]. The article was widely criticised as frivolous, one-sided and unfair, and the other side of the picture should be presented to your readers.

The correspondent appeared to criticise the standardisation of war rates and marine surcharges, as contrary to the tradition of the marine market, and emphasised the loss of individual judgment to which underwriters have in the past four years submitted; but he did not explain (as he might have done) the reasons which led to this development, and I venture to summarise them:—

On the outbreak of war Lloyd's brokers lost immediately a large proportion of their male staffs—some of them as high a proportion as 70 per cent, and every month since war started fresh calls have been made on the firms' personnel. The difficulties resulting from this drain of manpower need not be emphasised, and, even under normal market conditions, the obstacles in the way of keeping up an efficient service to the insuring public must have been grave.

But the conditions were far from normal. In the first place, every voyage marine risks had a war risk attached to it, and, unless it was one insurable with the Government, the brokers' normal duty to obtain the right rate was doubled. He must be right on the marine and right also on the war. That was brokers' difficulty number one.

Secondly, it soon became apparent that the marine risk was much greater in war than it had been in peace, and that, unless underwriters were to lose heavily on their underwriting, marine rates would have to go up. Voyages were lengthened. The quality of available tonnage deteriorated. Delays in port increased. Supervision became less and less efficient. The old market rates must go up. Brokers' difficulty number two.

How was the rise to be effected? If times had been normal it would have been left to the traditional bargaining between broker and underwriter, and every broker would have had to see to it that his client got away with the lowest reasonable increase in rates. But with the staffs left to them many brokers could not have discharged this duty, and gross unfairness would have resulted between those firms which had lost a very high proportion of their men and others more fortunately placed which had more of their old staff left to them.

It was this consideration which led underwriters to draw up the scales of war rates and marine surcharges and agree between themselves that the scales should be universally observed. The object was not to create a "planned organism" but to avoid unfairness and a state of chaos which might have been not only disastrous for the marine insurance market but highly embarrassing for merchants all over the world.—Yours, etc.,

October 18, 1943.

A MEMBER OF LLOYD'S.

Germany at War

Finances and Prices

RECENTLY a note of anxiety has crept into Nazi speeches on the financial situation, and it has been admitted that the rate of increase in small savings was perceptibly smaller during the fourth year of the war. Yet the commercial banks report a new accumulation of bank posits as a result of greater financial liquidity. The following table, showing the two most important sets of figures for a general appraisal of the situation, reveals an astonishing position.

	(In 1,000 million Reichsmark)		
	National Debt		Notes in Circulation
	Total	Short-term Debt as % of Total	
End of August	37.43	32.9	10.01
1939	66.30	46.7	13.03
1940	111.22	49.3	16.50
1941	167.02	52.6	21.81
1942	229.86	55.7	29.03

In four years of war the national debt has increased by 500 per cent and the notes in circulation by 300 per cent. The annual rate of debt increase shows a considerable acceleration from Rm.28,870 million in the first year to Rm.62,840 million in the fourth. The really disturbing feature for the Nazi economists is the fact that the percentage of short-term loans has risen from 32.9 per cent in 1939-40 to 55.7 per cent in 1942-43. Every device was used in 1942-43 to increase state revenue in order to keep down short-term borrowing. The most notable instance was the capitalisation of the house-rent tax which produced a sum of roughly Rm.8,000 million. Advance payments to manufacturers were stopped. But the great changes brought about by closing down civilian industry, the oscillations in production of armaments caused by the rigorous methods of Speer's engineers, the transfer of factories and the liberal payment of compensation to bombed-out civilians and manufacturers increased state expenditure by leaps and bounds. It is estimated that, during the financial year 1942-43, Rm.110,000 million were available for spending, which was made up as follows:

	(Rm million)
Revenue	35,000
Contributions to cost of occupation, tributes from Poland and the Protectorate, War contribution of German communes, etc.	21,000
Capitalisation of house-rent tax	8,000
Borrowing	56,000
	110,000

In the previous year the total available was estimated at roughly Rm.90,000 million. These are vague estimates published in German papers which contradict each other.

The figures reveal further anxiety. Any further capitalisation of, say, industrial levies or transfer of the capital of the social insurances to the Treasury will not yield what the house-rent tax did. The stop in advance payments for advance orders has already run its course. The attempt must therefore be made to increase revenue by higher taxation. For more than eighteen months Dr Funk, Minister for Economic Affairs, has forecast that taxes would have to be increased. He is clearly troubled by the fact that borrowing provides at present more than half the total expenditure, in spite of heavy tributes and huge clearing debts piled up in occupied and satellite countries.

There is, however, no possibility of increasing the wages which, together with excessively high social contributions and compulsory contributions to the winter help fund, has reached its limit. Foreign workers and the hundreds of thousands of women who are employed in Germany are paid wages below the tax limit. Any increase would at once narrow the margin available for savings, which has already become small. All current wages do is to provide for rations and leave a tiny margin for entertainments, second-hand goods and savings. During 1942 deposits in savings banks rose by Rm.15,000 million to Rm.50,000 million, which can hardly be repeated during 1943. "Iron savings" are relatively small: about four million savers contribute a monthly average of from Rm.70 to 80 million, that is, less than Rm.1,000 million per annum. The main source of increases in small savings, the closing down of independent artisans and small shopkeepers, dried up at the end of the so-called total mobilisation.

In agriculture and industry, too, taxation has also reached a limit. The situation is thus clear. The percentage of expenditure financed by borrowing, particularly short-term, is steadily growing. At the beginning of the war, or rather, at the beginning of the totalitarian economy, stable wages and prices seemed to be the solution of all economic problems. It is obviously felt now that this stability, although maintained for wages and some section of retail prices, has gone in the industrial sector of the economy.

Contradictions

The problem of the stability of prices and wages in a regimented economy can be illustrated by three figures. During the first four years of the war, three indices increased as follows:

	Percentage increase
Wholesale price index	8.6
Cost-of-living index	9.5
Index of share prices	55.3

The cost-of-living index reflects the prices of rationed commodities. The wholesale price index is more or less fictitious. Only the index of share prices gives any indication how prices in general would have moved if some semblance of market activities had been retained. The relative freedom of the bourses, compared with rigid price control and arbitrary price-fixing in other sectors of the economy, shows how prices in general would probably move if control were less effective. The control of share prices and finally of all security prices was for the Nazi planners the most difficult problem. Step by step controls were imposed on, first, speculation and then any wide fluctuation of prices. Then the registration of shares acquired after the war was decreed, followed by the compulsory exchange of these shares against blocked Treasury bonds. Then came the declaration of a price-stop for shares, and the latest measure has been the fixing of maximum prices for shares, industrial debentures, mortgage bonds and communal loans. Dealings on the basis of higher prices are now heavily punished. The result of this policy, necessary because free dealings would have threatened the complex system of price control over the whole economy, is that the bourses are actually at a standstill; and the quotations which are fixed from time to time show the most curious anomalies. Normal relations between issue prices and quotations, between interest rates and quotations, have gone, and they are now as arbitrary as the prices in industry.

Unfortunately for the Nazi planners, capital markets cannot simply be closed down like commodity markets, where the allocations and distributions of commodities can be organised without any free market movements with a system of war economy. The complex division of labour in modern industry and the capital outlay necessary for new factories or for the preparation of new production programmes are possible only on the basis of credit. Shares and securities are still private property. Private loans for industry are issued, capital is privately accumulated and these circumstances make it necessary to retain the capital market. Nazi ideology and hard facts cannot be reconciled. The simple drastic step of requisitioning openly all private capital is impossible. It has been frequently suggested but always turned down. If carried out, it would remove the last semblance of private initiative among industrialists, who at the moment seem still to believe that they can dispose of their own capital.

If the increase in the national debt is compared with almost stable prices, it is obvious that prices are no longer an indication of the value of industrial output. It can be estimated that production would have increased by half if prices had really been stable, whereas in fact total production is certainly smaller than before the war—if the output of the incorporated provinces is deducted. Prices are arbitrarily fixed, and the Government pays different prices for the same article coming from different factories. There are at least five different kinds of price, distinguished by wartime methods of costing, which are essentially different from costing methods in the peacetime economy of democratic countries. This is true of wages also. The methods are extremely complex and yet, in spite of all this elaborate mathematical ingenuity, the calculations are based on nominal price levels which are a relic from the democratic past in the form of stopped prices and stopped wages. The present actual prices cannot be compared from factory to factory; the lists are secret; and the whole system depends on the controls remaining effective.

THE BUSINESS WORLD

The Durham Coalfield

THE coal industry's fundamental problems are capable of solution only on a national basis, and now that wages and conciliation are handled nationally and the miners have decided to set up a single union, there is a natural tendency to make generalisations about the industry. At the same time, there is so much variation between individual coalfields, that it may be useful to examine some of the present problems in relation to a particular area. Durham, which is the oldest and largest in the country, provides a suitable subject for review.

In 1938 Durham was producing some 31½ million tons with a total labour force of 115,520, representing about one-seventh of both the nation's output and manpower. Although there had been a substantial decline in both output and manpower during the period between the two wars (170,000 men were employed in 1920), there were indications, with the revival in industrial activity during the late 1930's, that Durham was beginning to find its feet again. The war has seen a steady deterioration. Publication of the actual figures is, with needlessly coy reserve, frowned upon by the Ministry, but taking Durham's proposition of the industry's total output and manpower at one-seventh, production in 1942 was between 25 and 30 million tons, and the number employed round about 100,000. In spite of a slight increase in the numbers employed since 1941, output per manshift has continuously fallen. In 1938 it was 22.82 cwt. per manshift; in 1941 it was 20.41 cwt.; in 1942, it had fallen to 19.93 cwt., and in August of this year to 18.71 cwt.; Durham has never reached its weekly target under the Greene scheme, which was perhaps about half a million tons.

Many reasons have been advanced for this disturbing decline in productivity. The most important factor—and this is recognised by the Government, the owners and the miners' union alike—is the shortage of productive workers, while the men in the industry have grown older and more tired under the strain of 4½ years of war. The intake of juveniles has been insufficient to offset the loss of elderly and sick men. This is in part a reflection of the declining birth rate during 1920's, which was particularly marked in mining communities. Taking 1923 as 100, the number of live births in England and Wales had fallen to 88 in 1928, while in such mining areas as Consett (Durham) and Ashington (Northumberland), it had fallen to 82 and 75 respectively. Before the war, Durham had about two thousand boys under 16 in mining; there are probably less than half that number to-day. Even more than in other parts of the country, boys have been reluctant to enter an industry which could offer so little, and they have been discouraged from so doing by parents and school-teachers. There has been a serious

decline in the proportion of actual productive workers: the number of surface workers has remained fairly steady since 1938, but the number of hewers, fillers and other underground workers had probably dropped by nearly a fifth in 1942. Surface workers have been reluctant to go underground, and underground datal boys have in some cases declined to be upgraded to piecework at the face; they could earn almost as much, with less danger, on datal wages under the Greene award.

The county estimates that it needs an extra 5,000 workers to meet its manpower requirements, and it intends to absorb between 4,000 and 5,000 men during the first six months of next year, when the Government's scheme for placing mining on a priority with service in the armed forces will have come into operation. The proposal (described in *The Economist* on November 5th) is to set up two training centres, at Horden and Morrison North pits, which should be able to feed the surrounding pits at the rate of 150 men a week. These trainees will not immediately become productive but their employment should make possible the upgrading of other workers. Both the Durham Coal Owners' Association and the Miners' Association are co-operating fully in the scheme, and no great difficulties are anticipated in its operation, provided the men in the pits agree to the necessary upgrading. The most difficult problem will, perhaps, be that of finding accommodation. From many points of view there are advantages in lodging the men with miners' families, so that they can become quickly acclimatised to the life; on the other hand housing conditions are congested and often very bad. If not enough men can be billeted, the plan is to set up temporary houses and hostels.

The owners' view is that the lack of discipline and the decline in output. They complain that the men arrive late, leave work too soon, are careless in filling dirt with the coal—thus increasing the labour of the surface workers—and do not clear the face properly for the next shifts. Moreover, it is said that the guaranteed working week has removed the incentive to production, and that the Essential Work Order has undermined managerial authority. These criticisms are by no means confined to Durham. There is less ground for charges of excessive absenteeism, since Durham has the lowest rate of avoidable absenteeism in the country. The total rate is 9.5 per cent, but the rate of voluntary absenteeism only 2.5 per cent; for the industry as a whole the absenteeism rates are 4.83 per cent voluntary and 7.26 involuntary. The country has adopted a scheme which should reduce avoidable absenteeism and which has been accepted by all but six of the 80 miners' lodges. The Ministry of Fuel's Regional Investigation Officer, with two assessors representing each side of the pit production committee, can impose a fine on the spot, up to a maximum of £1. If the offender works regularly for six weeks without losing a shift, the money is refunded, forfeited fines being paid over to some such charity as the Aged Mineworkers' Homes Association. The success of the experiment is shown by the fact that the fines have been refunded in half the cases. This procedure is speedier than the old method and the men prefer it to being taken to court; they feel that it is fairer and the possibility of earning a remission provides an incentive to better attendance. Under the old system when a man could be fined up to £10 by the court, he was able to enlist the sympathy of his fellows; now he has only himself to blame. This scheme is on a voluntary basis, but the Minister of Fuel might well consider regularising the position and having the same method adopted throughout the country. A similar procedure might also be applied to cases of indiscipline.

Involuntary absenteeism presents an altogether different problem, and the best way to reduce it is to improve the arrangements for safety and welfare. The accident rate in Durham has risen alarmingly; there were 118 fatal accidents in 1942, as compared with 88 in 1938—as in the last war, the curve has been steadily rising. It is hardly

surprising that the miners feel strongly about the inadequacy of compensation rates, in view of the fact that there are about 1,100 men in receipt of partial compensation, more than half of whom are absolutely unfit for any work in the industry, and the rest only fit for light work on the surface. If more surface workers would go underground, many more compensation cases could be placed in light surface work. As for welfare, Durham is an old coalfield, with little tradition of welfare, though the war has brought about many improvements. There are now 139 collieries in the district with canteens of one sort or another—soon over a hundred will supply full meal service. The canteens, broadly speaking, are well used, though they could be used to a greater extent, to supplement rations. Only about 36 collieries, mostly the larger ones, have pithead baths.

One of the chief problems in the area is how to secure a better spirit of co-operation. Both sides may be to blame for the lack of it, but the fact is that the Durham miners find it hard to forget the long history of unemployment and wage reductions. This atmosphere has made it difficult for the pit committees to function as effectively as they might. As in the rest of the country, some committees are good and some are not so good. Many have made useful contributions on technical points, but under the present organisation of the industry the committees are bound to be limited. Moreover, they are debarred from discussing wages, which are the chief source of friction in the area. The miners claim that the adoption of their programme for control would result in better co-operation at the coal face and better discipline, and would put an end to unconstitutional stoppages, of which Durham has had its share. Between July, 1940, and September 25, 1943, there have been about 50 stoppages. Most of these were of short duration, the majority lasting only about 24 hours, but their cumulative effect on output has been considerable.

The underlying grievance, even if not the immediate cause, of all the stoppages has been wages, and in about four-fifths of the cases they have been due to the pieceworkers' demands for increased piece-rates or amendments to their piecework agreements. Although pieceworkers to their piecework less than 40 per cent of the total personnel, they occupy a key position in the miners' lodges. The whole structure of coalmining wages is inordinately complicated, but the wages in Durham have been among the lowest in Great Britain. The contention is that nearly half the pieceworkers' wages (which include 6s. 8d. a day flat rate and the wartime additions) are not directly related to piecework production, and the pieceworkers feel that they are being balked of their appropriate earnings. This has contributed to the unwillingness, mentioned above, of datal workers to

be upgraded to piecework at the face. A revision of the piecework structure might go far to promote harmony in the coalfield. The actual direction of surface workers underground, which caused so much trouble in other coalfields, has hitherto occasioned comparatively little disturbance in Durham, though the men resent the use of prosecution, and a strike over the imprisonment of a 19-year-old youth has just ended. An interesting suggestion, put forward from the area, is that an industrial psychologist, with practical experience of mining, should be appointed to deal with the younger men in particular and to advise the pit committees on direction. The prospect of a rapid influx of men into the industry makes it desirable that measures of this nature should be tried.

Durham's difficulties are accentuated by the age and structure of its basic industry. Many of the pits are more than a hundred years old, some have only a few more years' lease of life, and a great many, particularly in South-West Durham, have already been worked out and given over to flooding. This factor and the thinness of many of the seams account for the coalfield being one of the least mechanised in the country. In 1938 only 42 per cent of the coal was cut, and 25 per cent conveyed mechanically, as compared with 59 per cent and 54 per cent for the country as a whole. The proportion has slightly increased during the war, and last year 43.71 per cent of the output was cut and 30.6 per cent conveyed mechanically. The introduction of further machinery into suitable mines is now planned. But the Durham coalfield as a whole provides an outstanding example of the need for reorganisation in the interest of technical efficiency. Nearly 200 mines are owned by a great number of different undertakings of varying size and efficiency. Some are fairly large independent companies; there is a group of small concerns which have retained a strong family character; but the dominant influence lies with the large concerns, integrated with other heavy industry. Dorman Long and Company, Pease and Partners, and the Consett Iron and Steel Company between them were responsible in 1938 for an output of 6½ million tons, about a fifth of the county's total output. The Coal Commission, reporting in 1938 under section 12 of the Coal Mines Act on the furtherance of reorganisation, suggested that these three should be left out of any scheme on the assumption that "they would wish to remain as they are." Nothing came of the Commission's attempts to reorganise the industry, and the position has been left very much where it was. If anything, the need for reorganisation has been emphasised by the war; indeed, the future of Durham's coal industry largely depends upon the level of technical and organisational efficiency which can be reached.

Business Notes

A Silver Wedding

The yearly election of Mr Montagu Norman to the Governorship of the Bank of England has become one of the well-established traditions of the City and therefore accepted as a matter of course. The only recent occasion when the event aroused any excitement was on the approach of Mr Norman's seventieth birthday when, by the traditions of the Court of Directors, he should have retired. That tradition was waived for very good and adequate reasons, to be found first in the person of the Governor himself, and secondly in the exceptional circumstances of the war which not only in the Bank of England, have required the older men to continue shouldering burdens which would otherwise have been transferred to younger men now occupied elsewhere. When that precedent had been overcome, interest in the annual elections again waned. The latest announcement that Mr Montagu Norman is again recommended by the Court for election to the Governorship next April is, however, worthy of special notice, for his next year of office will mark the silver jubilee of Mr Norman's wedding to the Old Lady. Heaven forbid any indiscreet inquiries to the dominant partner in this *menage*. In this country, the institution is usually greater than the man. But one can confidently assert that no man has, in this case, had more influence over the institution. The Bank to which Mr Norman was appointed Governor in 1919 has vanished—but for the outside protective wall. Its organisation and the recruitment of its directors and higher officials have been revolutionised. But despite these external changes, the old tradition of the Bank, that of "a privately owned insti-

tution performing an important public service," remains. This feat of modernising the Bank and fitting it for the great tasks of to-day, while yet retaining intact the tradition of two and a half centuries, is the monument which Mr Norman will leave behind him. Next year will certainly be a momentous one for the Bank for, in addition to the Governor's silver jubilee, it will celebrate the 100th anniversary of the Bank Charter Act and the 250th of its foundation.

* * *

Dollar-Sterling Ratio

The White Paper on Mutual Aid gives the first official comment on the prolonged discussions of the true dollar-sterling parity that should be used for converting the war expenditures of the two countries into real terms. The White Paper, pointing out that estimates of lend-lease and reciprocal aid are made independently by the two Governments in terms of actual cost to themselves goes on to suggest that such comparison of money values, unless made with circumspection, will lead to a serious underestimate of the British contribution. . . .

The price-levels in the United States of the labour and materials most in question are substantially higher than ours. Thus, American book costs probably exceed similar British costs by more than 50 per cent. This is not an accurate guide to relative efficiency, after allowing for differences in wage-levels, since costs in the two countries are computed on bases which are widely different in several respects. But they do afford an approximately accurate corrective for the book-costs as entered up for the present purpose.

The
**BRITISH
MUTUAL
BANKING
COMPANY
LIMITED**

Founded 1857

Customers in all parts of
the country appreciate
the close relationship
fostered by the Bank

LUDGATE CIRCUS, LONDON, E.C.4

Deductions made from this official estimate of relative costs in the two countries should also be made with circumspection. One thing which the White Paper does not prove is that the true sterling-dollar parity is somewhere over \$6 to the £, or that it is to this kind of figure that one should look for the correct post-war relation of the two currencies. The basis of costs used for this comparison is too narrow and too artificial to allow of generalised application of this kind. Moreover, it is a basis which is shifting the whole time, and, on the whole is probably moving against sterling as the American war industrial effort gets into its fullest stride. The exchange ratio brought out by comparing the cost of building the first thousand Rolls Royce engines in the United States must have run into hundreds of dollars to the pound. Even if a ratio of \$6=£ were truly applicable to peacetime commerce, there would be a case for keeping the pound undervalued in terms of the dollar in order to adjust the terms of trade between the two countries to the revolution in their respective international debtor-creditor positions. If the obstructions in the way of sales to America are not greatly reduced, the apparent overvaluation of the dollar would have to be considerable for a balance to be achieved in a free market.

Market Rise Resumed

Since the Prime Minister's Mansion House speech there has been rather less talk of a very early end to the war. Possibly this is responsible for the halt in the wave of selling and the recovery which followed it. Industrial equities are by no means the strongest section, but it looks as though, even there, the rise is, so far, more rapid than was the fall. In view of the fact that there has been a material falling off in bargains marked and, it is believed, in actual money value of turnover, the higher prices must arise in large measure from marking up by jobbers. Since they are believed to have good supplies of stock on their books, it might have been expected that they would be ready sellers. If they are not, it can only be because they expect the public to "come in buyers higher up," and there are beginning to be signs that this is happening. The whole move-

ment is, however, so far on a very small scale. The best reason for expecting the recovery now in progress was the sharpness of the previous fall and the ragged nature of the selling. If the present rise continues at the present rate it may, in its turn, give way to a fresh bout of profit taking. There is still a good way to go before the peak of early October is reached. It would be unduly optimistic to expect that to be passed, but a general level not substantially below it may well be established.

Rubber and Rayon

Rumours that a firm in this country had been granted a licence to manufacture synthetic rubber were confirmed on Wednesday last week when Mr Lyttelton, Minister of Production, announced in the House of Commons that he had decided to authorise the use of building labour and materials for a scheme, on condition that this did not affect the production of goods of higher priority. The Government's decision to permit the construction of a plant for the manufacture of synthetic rubber is to be welcomed as an acknowledgment of the growing importance of synthetic rubber and of modern developments in the chemical industry rather than as a measure to alleviate the war-time scarcity of rubber. The decision was taken long ago that Great Britain's war-time needs of synthetic rubber were to be met from the huge plants that have been constructed in the United States, using mainly oil but also grain and coal (calcium carbide) as raw materials; production in the United States is growing and, as Mr Lyttelton pointed out, supplies are now being made available to this country. If it had been the Government's intention to alleviate the wartime shortage of rubber, it would no doubt have provided the necessary facilities some time ago. Actually, the plant is to be financed by British Celanese, Ltd., the well-known rayon manufacturing concern, and the process, of which details have not been published, is apparently one of those which use coal as the raw material. Although Mr Lyttelton pointed out that production will be on a commercial scale rather than experimental, it can hardly be on a large scale until the product has been tested by the market. And since labour and materials are only now being made available for the construction of the plant, that test cannot be made in the near future. In view of the facts that the new plant cannot be ready for production until well into next year and that, in times of peace, natural rubber is not only available in abundance but in super-abundance, it may be asked whether the construction of synthetic manufacturing capacity in Great Britain has any *raison d'être*. The answer is that it is fully justified, and for two reasons. First, synthetic rubber has properties that are denied to natural rubber and serves a number of specialised uses. Secondly, the manufacture of synthetic rubber is a branch of a new line of chemical processes which offer great possibilities and whose deliberate neglect might, in later years, appear in the same light as a refusal to experiment with the petrol engine on road vehicles because there were plenty of horses.

Future of Cotton Industry

In the autumn of last year Mr Hugh Dalton, President of the Board of Trade, requested the various sections of the cotton industry to furnish him with their views on the present position and future problems of the industry. As a result, the Cotton Industry Conference was set up under the auspices of the Manchester Chamber of Commerce, but the trade unions refused to take part in its deliberations, apparently on the ground that it sought a solution within the framework of private enterprise and the existing structure of the industry. Indeed, the United Textile Industry Workers' Association, embracing the trade unions in the industry, prepared its own report, published last week, on "ways and means of improving the economic stability of the cotton textile industry." The report plumps for complete state control by buying out existing owners.

The way to meet foreign competition, satisfy the aspiration of the workers to a better life, and make the industry a national asset is by the socialisation of the industry.

The Association envisages the grouping of the sectional units in the industry under a general board consisting of five departments—production control, technical research, marketing control, marketing research, and labour recruitment and welfare. This board would consist of fourteen members, with a chairman, a man of outstanding success in

the management of a large business enterprise, appointed by the Board of Trade, a representative of the Board of Trade, the heads of the control departments, and representatives of the operatives and of the administrative staffs. The scheme provides for four control committees—for raw cotton, production, marketing, and sewing cotton—and to ensure collaboration on general policy the chairman of the general board would also preside over these committees. Even if a case had been made out for nationalisation, this cumbersome organisation would surely be quite unworkable. But, while the industry is certainly in need of drastic overhaul, the Association's case for nationalisation lacks the conclusive evidence which alone could justify such a step. Not surprisingly, one theme of the report is the urge for security of employment. This somewhat naive passage may possibly be traced to the influence of the World Trade Alliance. The report suggests

an International Control Board to allocate to each country its quota of piece-goods to the various markets and to fix the prices of such goods. In the case of any country exceeding its quota as regards quantity or undercutting in prices, steps should be taken to stop the supply of raw cotton or prevent the export of piece-goods.

It would naturally open up a rosy future if such a Control Board allocated quotas on the basis of existing capacity in each cotton manufacturing country. But is this at all conceivable? The Association also suggests "helping exports by increasing the prices of home-consumed goods." How about the wretched consumer? Fortunately for him, and unfortunately for the Association he has a choice of textiles at his disposal, and a choice that will become more varied after the war. Surely, if Lancashire's cotton operatives wish for prosperity they must think in terms of textiles, rather than of cotton only, and in terms of real costs. Despite some valuable suggestions their approach is outmoded.

Another World Currency Plan

Mr Leon Fraser, president of the First National Bank of New York, has added an interesting contribution to the debate on post-war currency plans. Unlike most American bankers who have taken part in the discussions, Mr Fraser looks rather beyond a mere return to the orthodoxies of the gold standard. He visualises the need for some international organisation to promote collaboration between countries prepared to adhere to a system of stable exchanges, but he believes that such an international bank "should develop out of the facts of present world finance and trade rather than out of an abstract blue-print." The first effective step towards world exchange stability must, in his view, be an agreement between the United States and Great Britain. This brings Mr Fraser to the problem of sterling—one which he ranks as "the world's financial problem No. 1." To solve that problem, created by the large volume of external obligations created by Britain during the war, Mr Fraser suggests, the following help from the United States:

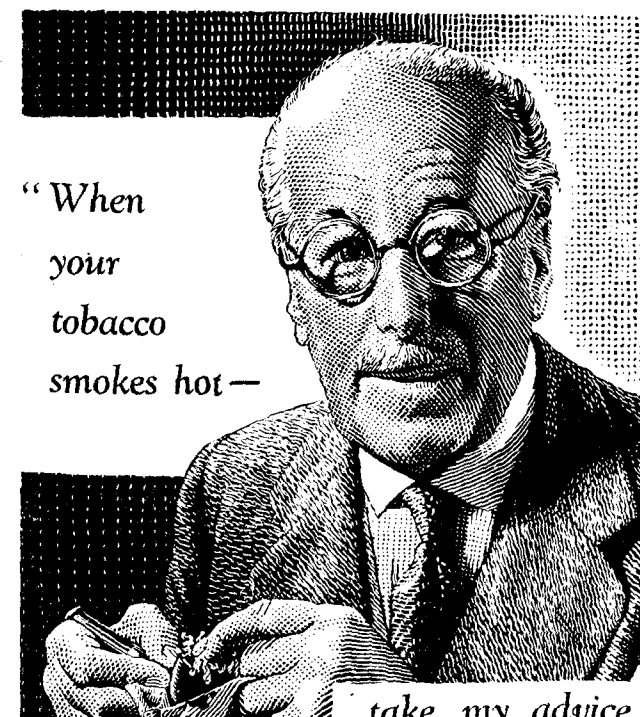
1. A \$5 billion credit to Great Britain, in the form of a call on gold, on the understanding that neither nation would engage in competitive exchange depreciation. (These last three words would require some definition.)
2. Formal cancellation of the British war debt balance from the 1914-18 war.
3. Provision for a moratorium for a five-year period on any post-war lend-lease payments involving British transfers.

The basis behind this dollar-sterling international standard—to which other nations would be invited to adhere—would be gold, with the dollar firmly anchored to the metal and the dollar-sterling rate fixed by the two Governments and protected during the post-armistice transition period by exchange control and American gold. As a further element in his plan, Mr Fraser suggests that the Bank for International Settlements should be reorganised. It is also refreshing to find Mr Fraser suggesting "that the United States must act like a creditor nation, encouraging imports of goods and export of capital."

A New Savings Drive

The Army is to have its special turn in the campaigns of the National Savings Committee, whose national appeals have been based successively on war weapons, warships and

"wings." Next year the drums and speeches will "salute the soldier." The local weeks will follow the familiar pattern. London will provide the spectacular send-off to the whole campaign from March 25th to 31st, and during the next four months every town and village in the country will have staged its savings week. The management and presentation of these campaigns have undoubtedly improved with the passing years. If that improvement is maintained, next year's series of weeks should well repay the effort and expenditure involved. The emphasis should be placed on abstinence from spending and consumption rather than on big target totals, and, as in the case of this year's Wings for Victory weeks, it is to be hoped that the intrusion of big institutional investors will be kept down to a minimum. The Chancellor of the Exchequer, who spoke this week on the four years of the war savings campaign, stressed the need for continuing restraints in personal expenditure not only at present but during the immediate post-war period, because "the repair of war damage and reconstruction of industry must have first charge on the country's resources, and it will take time to provide any appreciable increase in the volume of goods available for private consumption." Sir John Anderson in his speech answered two questions which he thought might be in people's minds as the war drew nearer to an end. They were "Shall I be able to get my money back when I want it?" and "Can I be sure that the money will not lose its value if I leave it in savings instead of spending it now?" To the first he was able to give the obvious answer that "loans to the State will be honoured without exception or qualification." To the second he replied with the Prime Minister's pledge that these savings would be redeemed "in an equal degree of value," amplifying it with the promise that the Government intended to continue the policy of price stabilisation after the war "to the utmost of their ability." The Chancellor made a good thrust when he pointed out that the redemption of this pledge was also a challenge to the savings movement because the economic stability of the nation after the war would rest in a large measure on the continued vigour and success of the movement.



"When
your
tobacco
smokes hot—

take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

EVERY WORKING DAY
THE PRUDENTIAL
pays £50,000

on Claims under

INDUSTRIAL ASSURANCE POLICIES

The Company pays each working
day death claims on upwards of
1,500 Industrial Assurance Policies.

Payments are made promptly by
Agents whose continuous service
ensures that policy money is
available immediately at the time
of need.

THE PRUDENTIAL ASSURANCE CO. LTD.
HOLBORN BARS, LONDON, E.C.1

Secret Dossier

Hand in hand with the growth of the organisation of trades and professions into groups there has gone a growth in the habit of compiling dossiers, both of members of the group and of those with whom they are brought into intimate contact in the outside world. Recently there has been considerable heart-searching about how far such information may be made the instrument of oppression, possibly with the best intentions. In particular this question is being raised with reference to the proceedings of the Committee of the Stock Exchange, London. No allegation is made as to any ill-effects of the system, so far. It is only the principle which is questioned. This is a matter about which it is not possible to be dogmatic. It is clearly of great value, and indeed inevitable, that where questions of credit standing are involved, as is the case with banks, the Stock Exchange and other financial institutions, information ought to be available to individual members, and there can be no legitimate objection to the collection being done by the organising body rather than by the member. Probably there are cases outside the financial world where information of a different type is equally desirable. In so far as this information concerns individuals who are not members of the body which collects it, a certain discretion is required in communicating information, which may not always be reliable, to individual members, but no question of principle arises. The position is, however, different where it is either a question of organising the members of the group to boycott an outsider, or of using the information in the dossier to discipline a member of the group. Here the guiding principle should be that applied by the courts, namely, that while evidence of past misdemeanours should not affect the verdict, it should influence the sentence. The trouble is that, while the judge and jury know nothing of the past history of the defendant, some part of the contents of the dossier is likely to be known to those who are called upon to reach a decision in the cases under consideration. That being so, the best that can be done in the case of a member of the group is that there should be full disclosure to the defendant of all the material which is in fact being taken into consideration and that he should be given every opportunity to rebut any evidence advanced. As to the instrument of boycott, it is far from certain how far its use ought to be permitted. It is, however, almost as likely to be practised in the absence of information as when a dossier is available and, unless one postulates a conspiracy in restraint of trade, the presence of information is likely to lead to healthier results than its absence. None the less, both the compilation and use of the dossier calls for a very high sense of responsibility.

Profits Still Mark Time

Company results in the third quarter again give an illusion of slightly expanded profits, marked by a rise in the gross profits index (Table I on page 696) from 103.0 to 106.1 (based on the notional year "1940"). In fact, the whole of the increase, such as it is, is attributable to a substantial improvement in oil company profits, less a further slump in rubber earnings. As Table VI shows, gross profits of oil companies increased by £3,584,000, rubber profits fell by £1,176,000, and the 515 companies as a whole showed an increase of £2,129,000. As a measure of the movement of aggregate home industrial profits, therefore, the latest figures still record "no change." The apparent expansion of over-all profits permits an increase in equity dividends, proportionately to as much as 57 per cent. of total earnings. Analysed by accounting periods (Tables II and III) the so-called expansion of gross profits looks a very mild affair, and the net profits index (Table IV) is with difficulty maintaining a level 6 per cent. lower than the base period (1936) and 25 per cent. below the pre-war level. Possibly the slight improvement in the return to equity shareholders is in part seasonal—third-quarter companies tend to earn and pay higher ordinary dividends than second-quarter companies. Thus, although the average rate of ordinary dividend (Table V) rose from 8.3 per cent. to 11.9 per cent. between the second and third quarters, the corresponding figure for the third quarter of 1942 itself rose from 8.6 to 10.0 per cent. Earnings and profits, in sum, show no evidence of release from the shackles which have bound them for four years.

AEC Bonus

In the company world, the event of the week has been the declaration of a cash bonus of 5 per cent by the Associated Equipment Company, as well as the normal dividend of

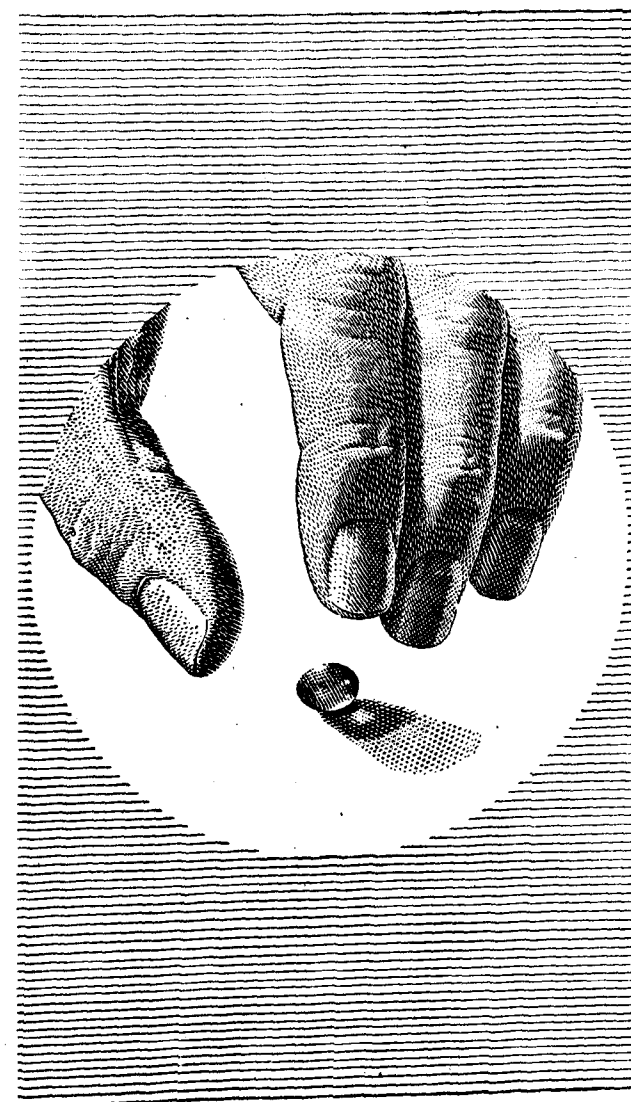
7½ per cent, both free of tax. The only other information provided is that the net profit is £227,500 against £141,500 for the year to September 30th, 1942. The shares, which had been steady for a long time at about 65s., improved almost 10s. but now stand at 70s. The balance of profit on trading, after charging factory and other expenses, rose from £111,000 in 1932-33 to some £430,000 in 1936-37. After a minor relapse, they climbed to a new high for 1941-42 of some £795,000. But the net amount available for dividends, which was £217,500 in 1936-37, has averaged only £165,500 for the five years to September 1942. The latest figure shows an increase of some 37.4 per cent over that average. A concern of this nature must have been very fully employed, and it is difficult to see why distributable profits have been so much below the apparent EPT standard. The relevant question is whether this jump to a figure which seems to be in excess of that standard is due to a real increase in earning power or merely to financial or tax adjustments. The accounts offer little guidance. Reserves for depreciation seem moderate, but the fact that the net profit always comes out at a round figure suggests that there may have been substantial adjustments before the gross amount is reached. The fact that the 5 per cent addition to the distribution is described as a bonus is inconclusive—another instance of the great need of definition. In the circumstances, it is regrettable that some explanation of the sudden increase in payment was not forthcoming. If it does arise from a change in the fortunes of the company, it is a pity that the shareholders were not given earlier notice of it. The board are, however, to be congratulated on the complete absence of any leakage of information.

Coal Output

The output of saleable coal in the four weeks ended October 30th increased by 88,600 tons over the previous four-weekly period, and the weekly average of 3,908,000 tons represents the highest output, except for the average in June, during the last seven months, though it was 216,000 tons below the corresponding period of 1942. The figures, given in detail on page 695, reveal an upward trend which is encouraging, as is the steady output from opencast workings, which averages between 120,000 and 130,000 tons a week. It would, however, be foolish to set too much store by these facts. The coal position is grave, and a timely warning against complacency was given by Lord Hyndley, Controller-General of the Ministry of Fuel and Power, at last week's meeting of the British Coal Utilisation Research Association. He pointed out that the national coal requirements would increase with the extension of military operations, and that it was necessary to send the very best coal abroad for operational purposes. A similar warning has been given in a pamphlet on "Coal and the Nation" by Mr Arthur Horner, president of the South Wales Miners' Federation. He estimates that some 210 million tons will be required during the coming year, whereas the present level of production amounts to less than 190 million tons a year. Next week the Mineworkers' Federation is holding a special two-day delegate conference, to consider the Government's reply to their proposals for improving output. No doubt the conference will also discuss ways and means of preventing the unconstitutional stoppages that have been increasing in number and extent. During the past week some 10,000 miners in the Lancashire coalfields have been on strike; the stoppages involving 2,000 men in Durham and 300 men in Nottingham have come to an end. The Executive of the Durham Miners' Association have issued a strongly worded circular roundly condemning strikes.

Coal Distribution Costs

In a memorandum which it has recently compiled for the use of members of area advisory committees under the Retail Coal Prices Order, 1941, the Ministry of Fuel and Power has outlined a more clearly defined programme for the regulation of retail margins than that given in any previous official instructions affecting the cost of the distribution of house coal. It is well known that the retail is the least organised branch of the coal trade. By the House Coal Distribution (Emergency) Scheme many changes have been suggested, including greater integration, co-operation, pooling, and other expedients to raise efficiency. These suggestions, however, have been given only a limited application; there are still many areas in which the methods of distribution differ little from those in operation before the war, except in so far as they have been unavoidably affected



RATIONING MAKES EXTRA VITAMIN SUPPLY ESSENTIAL

The body must have enough vitamins A and D if it is to remain healthy. Before rationing most of us got sufficient of these in our ordinary meals, but wartime diets tend to reduce the vitamin value of our food. A daily dose of Crookes' provides sufficient 'anti-infective' vitamin A to enable you to resist colds and influenza, it provides, too, the correct amount of 'sunshine' vitamin D to keep adults healthy and to allow children to grow up with strong bones and sound teeth.

CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES—PER BOTTLE OF 100—8/6
LIQUID—PER PHIAL—ENOUGH FOR 16 DAYS 2/-

WHAT KIND OF WORLD?



"The question is being asked to-day everywhere in the world. No expert is needed to tell you the answer.

It must be a world as peaceful and neighbourly as your own town; a world in which decent people can bring up their children decently. It must be a busy world where factories and farms are working and where there are jobs for all.

How can such a world be brought into being? The surest way is to think and talk about it. Full and complete discussions on the porches of this country, and over its fences, in churches, schools, clubs and always at meals—that is how the terms of A JUST AND DURABLE PEACE can be formulated.

In your discussions keep in mind this fact; your terms of peace must be such that the people of other lands can agree with them. There must be provision in your plans for sustained production and for consumption of that production.

Only a world peace that squares with the conscience of men of good will can be just. Only a just peace can endure."

★ ★ ★

The above Statement has been issued by the International Nickel Company of Canada and is widely published in Canada and the U.S.A. We reproduce the Statement here because we believe that all engaged in industry in Britain will approve its principles and desire to collaborate with all the United Nations in formulating plans for "a just and durable peace."

Published by

THE MOND NICKEL COMPANY LTD
Grosvenor House Park Lane London W1

by the increasing scarcity of labour, particularly in haulage. Apparently the Ministry of Fuel and Power intends to force the pace of economy by making it a decisive factor in the consideration of future claims for increased retail margins. Generally speaking, the margins now in force are those of September, 1939, subject to a national increase of 1s. per ton, with additions to meet special circumstances. It is expected that there may be applications for increases in connection with the compilation of the "keys" attached to the schedules of maximum prices since 1941, indicating precisely to consumers the different descriptions of coal which are regarded as covered by each of the scheduled grades. Merchants, however, are informed that it is the general policy of the Government that, so far as possible, increases in distribution costs should be met out of economies effected through rationalisation, and that no further national increases in margins are likely to be authorised by the Ministry, except as a result of a thorough survey of costs and proceeds. These surveys are to be conducted from headquarters, and the area advisory committees have been instructed that, in the consideration of the applications for higher margins, they should have regard to the following, among other factors: (a) increases in the proceeds of sales as well as in costs of distribution; (b) the scheduled prices originally fixed may have been the highest average list prices rather than the average price *actually realised* on sales, or they may have been stabilised at an abnormally low level; (c) the discontinuance of lower summer prices, fewer special discounts, and the practical elimination of "cut" prices; (d) the greater regularity of the house coal trade than before the war, the elimination of competitive advertising, and a falling off in the peacetime standard of service. There are approximately 30,000 retail merchants in the house coal trade, and their margins (covering costs as well as profits) vary widely in different parts of the country. According to the Ministry of Fuel and Power, the delivered charges of merchants are sometimes as low as 7s. or 8s. per ton, and in others "they run as high as 20s. per ton or even more." Since the war there has been an increase of about 30 per cent in the retail price of coal as measured by the Ministry of Labour. For this increase the chief cause has been the higher pithead prices authorised by the Government to cover the cost of wage advances, dearer materials, and other charges. In a representative coalfield these have totalled between 11s. and 12s. per ton. Other additional war-period costs have included a 16½ per cent increase in railway rates, much heavier demurrage and wagon-hire charges, dearer labour (particularly in the haulage of coal from siding to consumers' cellars), petrol and repairs, short weights, bad debts, and so on, as well as the general increase of 1s. per ton in the margin of retailers. The effect of these changes has been to raise the average margin (inclusive of profits) in this particular area from about 11s. to between 13s. and 13s. 6d. per ton, the pithead price from 26s.-27s. to 37s. 6d.-38s. 6d., and the delivered price for Grade "A" coal from 41s.-42s. to 57s. 9d. per ton.

Scottish Arms Factories

Following the report of the Select Committee on National Expenditure, the Ministry of Supply has decided to concentrate the production of four munitions factories in the West of Scotland into two factories. This will "enable the two factories to be run at about their present strength on munition orders." Three of the four factories are managed for the Ministry by a well-known Scottish firm, the fourth being owned privately by the same firm, and the Select Committee, finding that one of the factories in the group was "costing large sums of money for a very small return" and that there was no prospect of increasing its allocation of work under the production programme, recommended that its ordnance side should be closed down. The Ministry of Supply is arranging to place urgent work of a different kind at one of the factories where weapon production is being stopped, and is putting in a new management. At the same time the Ministry of Production has been asked to consider the possibility of finding alternative work for the part of the other factory where weapon production is being stopped—the one which was so severely criticised by the Select Committee—and where the employees are mainly immobile women engaged on unskilled work. The rapid decision to concentrate the group's production is in marked contrast to the original delay in investigating the state of affairs at the factories. At this stage of the war, when the production programme involves constant adjustment between different types of war weapons and the Ministry of Supply's

programme is being cut down, this concentration of production is probably necessary in the interests of economy and efficiency. But it might have been better had a full enquiry been undertaken into the management and organisation of the factory at an earlier stage, and prompter attempts made to bring work to a plant on which so much capital had been expended. The decision has not been well received in Scotland, where it is feared that it will mean further transfers of labour from the area and may worsen the West of Scotland's post-war prospects of employment.

Brazilian Debt Talks

It was announced towards the end of last week that points of difference between the representatives of the British and American holders of Brazilian stocks had been settled and that the way was open for detailed negotiations with the Brazilian Government. The negotiations are being conducted in the British interest by the Council of Foreign Bondholders, which has been in touch with the British and Brazilian Governments as well as with other bondholders' groups. The total amount of loans by this country to the central and state governments of Brazil is large, some £125 million, and the negotiation of a new agreement would, in any circumstances, be a matter of considerable importance. In existing conditions the outcome of the conversations may have very far-reaching results. Before the war Brazil was beginning to develop its secondary industries rapidly and the process has been accelerated rather than retarded by the war, although the special demands of the conflict and the restrictions it has imposed on international trade have altered the direction of development somewhat. Brazil is, in fact, in a fair way towards exercising the predominance in South America for which her size and the variety of her resources fit her. The recent statement of the Minister of Production, and the survey carried out by the local British Chamber of Commerce, both indicate that Brazilian demands for British exports are changing rapidly, but may be maintained. It is also probable that some finance will be required. If so, some of it should be British. In these circumstances there is every reason why the settlement should be such as to help in the establishment of good relations between the two countries. It is also likely to be regarded as a model upon which the smaller South American republics can reasonably base their own policy. There can be no question at present about Brazil's ability to meet the service of her substantial overseas debt, but the present position is abnormal. A full investigation would be necessary to assess the prospects. That may be an argument for deferring a lasting settlement until such time as the outlook is clearer, but it is not one for an offer based on the depressed condition of the country before the industrial revival got under way. A reasonable solution would appear to be to offer a partial repayment, out of sterling balances which cannot at present be used, and to guarantee payment of interest at a reasonable rate, or rates, on the remaining capital. Any settlement should, of course, bear in mind the varying rights and priorities of the different issues. Such a settlement would go far to rehabilitate Brazil's credit, with beneficial results to all concerned.

Larger Clothing Sales

The release of 20 coupons in the new clothing book in September resulted in a large rise in sales of apparel. According to the retail trade report for September, published in *The Board of Trade Journal* for November 6th, sales of apparel, by value, were 37½ per cent above the average for the preceding twelve months, and higher than in any month since December, 1940. The Bank of England's index number of the average value of daily sales (1937 = 100) stood at 132 for this category. The validity of coupons is now the factor which decides the extent of clothing sales—the seasons have little or no influence. In September, 1942, the last month of a coupon period, the index was 102. The steady rise in the amount spent per coupon which had been apparent for some months was checked last September, probably owing to the greater number of coupons current. This may be due in part to larger purchases of utility clothing, and to some extent to the lower pointing of the cheaper utility articles. In household goods sales have been stable, and food sales showed a slight fall. The total index, however, under the influence of apparel sales, rose from 96 in August to 109 in September, four points higher than the

average for the year to August. The table showing the average daily value of retail sales and of stocks compared with the year before appears on page 695.

Wages in Cotton Industry

The steady pressure for higher wage rates continues. The trade unions in the cotton industry have now entered the list of unions which have recently staked claims. They have applied for a flat rate increase of 12s. a week for adult occupations and 6s. a week for juvenile occupations. The latest increase was granted at the beginning of this year when operatives in the spinning and weaving sections secured an advance of 5s. a week; at the same time holidays with pay were increased from one to two weeks a year. Between October, 1938, and January, 1943, the actual earnings of operatives in the cotton trade have shown a bigger increase than earnings in all industries—75.4 per cent against 65.1 per cent—though it must be remembered that the actual earnings in the industry before the war were relatively low. In considering the application for higher wages on November 16th, the Master Spinners' Federation and the Manufacturers' Association decided not to make any counter-offer. Consequently, the spinning operatives' claim will be referred to the National Arbitration Tribunal and the weavers' to their Conciliation Board. A further substantial increase in wage rates would obviously raise costs and, consequently, may involve an advance in the controlled prices for yarn and cloth.

Home Flax

In a recent speech, Earl de la Warr, Director of Home Flax Production, Ministry of Supply, defended the home flax production scheme. He said that the low production, the high costs and the waste . . . belong to a period of teething troubles that we have largely overcome. No doubt steps have been taken to improve the efficiency of growing and processing the flax. It may be that some of the criticisms made by the Select Committee on National Expenditure in their Fifth Report of the 1942-43 Session (reported in *The Economist* of April 10, 1943) no longer apply. Three times as much fibre was produced in 1942 as in 1941 without a corresponding expansion in acreage, and the increase this year might not be, according to Earl de la Warr, "much less sensational." The acreage under flax in Great Britain has steadily increased, from 18,000 acres in 1940 to 40,000 in 1941 and 52,000 in 1942. Next year, it is expected to reach 58,000. In Northern Ireland the acreage has been increased from 20,000 before the war to more than 90,000 at the present time. The Director of Home Production looked to the future of the industry, and he said:

If present progress continues, I am very hopeful that we may be able to establish this as a permanent new industry. Many new industries have of necessity been established as a result of the war and the loss of overseas supplies. Their valuable contribution to the war effort should not, however, be allowed to confuse the issue of their continuance or be closing down after the war. The only criterion is whether their further development is economically sound.

Practical Planning

In an attractive brochure, the Institution of Civil Engineers and the Institution of Municipal and County Engineers, which had jointly organised the recent Practical Planning Exhibition, set out the importance of the part that engineering will have to play in the reconstruction of Great Britain. One of the most interesting chapters shows how a new town should be planned and built. It emphasises the importance of the technical and functional approach to the problem, especially in the provision of adequate and comprehensive public services, such as roads, railways, drainage, and heat and light and power. In the past, or rather in the recent past, the technical approach has probably been insufficiently recognised and often subordinated to financial considerations, especially in industry. But the aim of the technical approach to the problem of industrial reorganisation should be to secure the most efficient utilisation of limited resources in the interests of the community, rather than to hand over the controls to the technician.

Correction

In a Note entitled Fisheries after the War, on page 592 of *The Economist* of October 30th, it was erroneously stated

that an agreement had been concluded between representatives of the British and Norwegian Governments for the resumption and regulation of whaling. All that happened is that the whaler section of the Chamber of Shipping and the Norwegian Shipping and Trade Mission set up a joint committee to take such steps as may seem advisable to secure the earliest possible resumption of British and Norwegian whaling operations on the biggest possible scale consistent with the proper maintenance of the whaling industry.

Company Results

Horden Collieries.

	Years ending September 30, 1941	1942	1943
Total profits after depreciation	350,968	360,522	271,737
Taxation	160,000	165,000	75,000
War damage contribution	15,000	17,500	17,000
Directors' fees	4,500	4,500	4,579
Debiture interest	27,362	25,685	23,909
Ordinary shares:—			
<i>Earned (gross)</i>	144,106	147,837	151,249
<i>Paid (gross)</i>	112,500	112,500	112,500
<i>Earned %</i>	9.6	9.7	10.1
<i>Paid %</i>	7½	7½	7½
Debiture sinking fund	32,063	33,826	35,687
Carry forward	78,775	80,286	83,348
Net fixed assets	2,350,150	2,306,049	2,277,550
Net liquid assets	211,925	257,537	288,798
Gross liquid assets	828,642	1,008,963	938,562
Stock	156,648	156,835	261,849
Tax reserve certificates	—	150,000	200,000

The £1 stock units, at 24s. 6d., yield £6 2s. 5d. per cent.

Mitchells and Butlers.—Brewers.

	Years to September 30, 1941	1942	1943
Total profits after depreciation*	1,495,736	1,565,562	1,853,708
Taxation	955,000	1,015,000	1,278,667
Directors' fees	2,000	2,156	2,310
Debiture interest	50,000	50,000	50,000
Preference dividends (net)	30,000	30,000	30,000
7% maximum ordinary dividends (net)	18,838	18,838	18,838
Ordinary stock:—			
<i>Earned (net)</i>	439,898	448,568	473,893
<i>Paid (net)</i>	320,570	320,570	320,570
<i>Earned %</i>	28.5	29.4	31.0
<i>Paid %</i>	21	21	21
Property reserve	—	50,000	50,000
War contingencies reserve	120,000	75,000	75,000
Carry forward	568,958	571,956	600,278
Net fixed assets	8,618,480	8,560,498	8,529,320
Net inter-company items	131,819	147,677	133,528
Net liquid assets	263,054	265,036	398,129
Gross liquid assets	2,996,872	3,479,125	4,092,619
Government securities at cost	245,000	445,000	217,000
Tax reserve certificates	—	500,000	1,000,000

* Including dividends received from subsidiary.

The ordinary shares of £1 at 93s. yield £4 10s. 4d. per cent.

Bass, Ratcliff, and Gifford (Brewers).

	Years to September 30, 1941	1942	1943
Total profit	1,574,417	1,560,942	1,686,376
Depreciation, repairs and renewals	148,647	134,362	155,335
Rent, rates, insurance and taxation	640,217	711,395	872,199
Directors' fees	7,542	7,200	7,200
Debiture interest	184,951	182,166	128,662
Preference dividend	68,000	68,000	68,000
Ordinary stock:—			
<i>Earned (net)</i>	525,060	457,819	454,980
<i>Paid (net)</i>	447,128	447,128	447,128
<i>Earned % (f)</i>	23.5	20.5	20.3
<i>Paid % (f)</i>	20	20	20
Contingencies reserve*	50,000	50,000	—
Carry forward	872,784	833,475	841,327
Net fixed assets	3,697,825	3,692,800	3,669,297
Net inter-company items	3,700,738	3,685,458	3,791,690
Net liquid assets	1,544,144	1,497,616	1,157,335
Gross liquid assets	3,436,084	3,653,046	3,535,760
Stock-in-trade	490,880	714,664	911,473
Government securities	1,086,814	1,191,814	785,614
Tax reserve certificates	—	262,225	340,000

* During the three-year period, £90,000 was appropriated from this reserve for war damage contributions.

† Including dividends received from subsidiaries.

‡ Including £147,000 allocated as a separate item to complete the provision of tax on the profits to date.

(f) Tax free.

The apparent discrepancy between the showing of the profit allocation for 1942-43 and the changes in net assets is, in the main, accounted for by the repayment of £482,500 of debentures on October 1, 1942, and the inclusion among reserves in 1943 for the first time of £239,600 provision for deferred repairs and maintenance, presumably previously counted as a liability. The ordinary stock units of £1 stand at 165s. and yield some £2 9s. 5d. per cent tax free.

COMPANY MEETINGS

THE OTTOMAN BANK

ABNORMAL CONDITIONS CAUSE INCREASE IN DEPOSITS

POSITION IN TURKEY AND THE NEAR EAST

MR A. G. A. JAMIESON'S ADDRESS

The annual general meeting of shareholders of The Ottoman Bank was held, on the 17th instant, at Winchester House, Old Broad Street, London, E.C., Mr A. G. A. Jamieson, the chairman, presiding. Mr W. Stewart McKim, secretary to the London Committee, having read the notice convening the meeting.

The chairman said: Ladies and Gentlemen,—I am informed that the requisite number of shareholders holding the necessary number of shares are present or represented in accordance with the requirements of our Statutes.

The report and accounts have been circulated and I presume that it will be your pleasure that they be taken as read. (Agreed.)

THE LATE SIR HERBERT LAWRENCE

His colleagues on the London Committee record with sorrow the loss of the services of our late chairman, General the Honourable Sir Herbert A. Lawrence. General Lawrence, who joined the Committee of this Bank in 1906, became the chairman of the London Group of the Committee in 1924 and, since then, has always presided at our general meetings. To those of us who have had the privilege of working with him on the Committee of the Bank, his passing is a sad loss. His upright character and sound judgment based on long experience have been of great value to the Bank, the interests of which were very close to his heart. We miss him, but his memory remains as an inspiration and a guide for those who follow him.

I have also with deep regret to record the death, only last month, of Sir Guy Granet, who had been a member of the Committee since 1920.

After the death of Sir Herbert Lawrence my colleagues on the London Committee did me the honour of electing me as their chairman; it is not an easy position, and as time goes on and the European phase of the war reaches its conclusion, it will certainly become no easier.

LIQUIDITY MAINTAINED

The balance-sheet now before you shows once again a considerable increase in its total, which is £42,360,012, as against £36,584,755 on December 31, 1941. Liquidity, you will see, has been more than maintained. You will notice that we have no less than £17,876,000 in cash and money at call and notice, with a further £8,296,000 in bills receivable, and £1,723,000 in British Government securities.

As last year, we have included our French assets at the rate of 176.50, and the figures of our Thessaloniki branch are those of December 31, 1940, since no later details are available.

The profit and loss account, which contains only the profits which can be made effectively available in sterling, shows an available balance for the year of £127,142 18s. 11d. This, added to the amount brought forward, makes a total of £335,178 4s. 3d., which will be carried forward, as in present circumstances the Committee do not recommend the distribution of a dividend.

UPWARD TREND OF DEPOSITS

On the liabilities side of the balance-sheet you will see that our deposits have continued to increase; and this upward trend, which in the period under review amounted to six million pounds, has con-

tinued, and is likely to be maintained so long as abnormal conditions arising out of the war exert their influence. On the assets side, our cash is greater by nearly two million pounds, while our money at call and notice is nearly five million pounds greater than in 1941.

On the other hand, bills receivable are less by one million six hundred thousand pounds. Our investments are five hundred and seventy thousand pounds greater, the whole of this increase being accounted for by our holdings of British Government securities. So long as we continue to hold these abnormal deposits we feel that they can only be employed in the most liquid form.

I do not think there is anything further in the balance-sheet to which I need refer, so I will survey briefly the affairs of the territories in which we are mainly concerned.

RISE OF PRICES IN TURKEY

Although neutral, Turkey has suffered from the war, which has affected her whole economic life. Weather was again unfavourable to the crops, and lack of labour, owing to the large number of producers in the Forces, which have been mobilised since the outbreak of war in Europe, caused a shortage of agricultural products. The Government endeavoured, by trade agreements and other measures, to stabilise exchange rates and prices, but the decreasing volume of goods available and the increase in the note circulation, due largely to greatly increased expenses of the Army, resulted in enhanced prices for the most essential commodities. This tendency increased greatly after July, 1942, in which month the Government returned to the principle of a free market. The index of wholesale prices, which in 1941 stood at two hundred and twenty-two, rose to five hundred and twenty-one in 1942.

Owing to the demand abroad for certain Turkish goods, the exchange position of the country improved during the year, and the returns of the Central Bank of Turkey show an increase in their holding of gold.

Our branches throughout Turkey have taken an active part in the commercial life of the country, but their profits are not included in the figures before you today, as, for the time being, it is impossible to convert them into Sterling.

Our satisfactory relations with the Turkish Government, its Departments, and with the other Banks in the country continued unimpaired.

EGYPT'S PROSPERITY

In Egypt some dislocation and disturbance occurred when, in the summer of 1942, the Axis forces got so near to Alexandria, but the alarm quickly subsided and the Banks met without difficulty all the calls made upon them. The cotton business was well maintained. The Egyptian Government fixed minimum prices at which they would purchase cotton tendered to them, but private sales were encouraged where possible. During the year some four million cantars were exported to the United States and to India, and our Alexandria branch had its share of this business.

To meet the wishes of the Government, the cotton crop in 1942 was reduced to about half that of 1941, in order to increase the output of other crops and reduce imports of foodstuffs. Cereals were good, as was the crop of sugar cane. Imports of commodities fell sharply during the year,

partly owing to the system of import licensing and partly owing to the fact that supplies from America could not be obtained in the almost unlimited quantities which had been available in the past. The cost of living continued to rise, but on the whole there was general prosperity in the country. This was naturally reflected in largely increased bank deposits and reduced demand for advances.

IRAQ AND IRAN

In Iraq political and commercial events were largely governed by the war situation in North Africa, and, until the tide turned at El Alamein, there was a constant feeling of nervousness. The amount of currency in circulation rose from eleven million Iraqi Dinars to nearly twenty-two million, owing chiefly to expenditure by the Allied Forces and the purchase of grain for export at very high prices. Locally produced cereals rose by eight hundred to one thousand per cent above their pre-war prices. The Government set up a Committee to study measures to combat the consequent rise in the cost of living, and some of the recommendations of that Committee have since been adopted.

In Iran disbursements by the Allied Forces resulted in a relaxation of the formerly stringent Exchange Regulations. Sterling became obtainable without difficulty and this permitted the settlement of certain long outstanding debts and contracts. As in Iraq, the note circulation showed a large increase, leading to high cost of living, hoarding and speculation, and crops were not satisfactory.

PALESTINE AND CYPRUS

The economic situation in Palestine continued to develop favourably. Here again money was plentiful owing to military expenditure, and this fact, combined with the shortage of goods, resulted in increases in the cost of living and in the price of land. The note circulation increased from thirteen million Palestine pounds to twenty-four million. The situation of the citrus trade remained unchanged, apart from the development of the production of concentrates. The Banks continued advances to citrus growers, with Government guarantee, and it is to be hoped the recent improvement in the situation may prove of benefit to the growers.

In Cyprus business was on a reduced scale, as, here again, the military expenditure had led to a plenitude of money and lack of demand for financial facilities. Carous and raisins from Cyprus were exported to Egypt, Syria and Palestine, while Iraq and Egypt were buyers of Cyprian wines.

We have no news about our subsidiaries in the Balkans, the *Banque Franco-Serbe*, the *Bank of Roumania* and the *British-French Discount Bank*.

FRENCH MEMBERS OF COMMITTEE

As regards the members of our Committee in Paris, we have no news, and, as you will see from our printed report, we give there the list of their names as it was in 1940 when communication with them ceased. One of their number, Monsieur Philippe Mallet, is due to retire this year under the terms of our Statutes, and we understand that, subject to the confining of the activities of the French members of the Committee to France, there is no objection in this country to his formal re-election.

The vacant place in the Committee left by the death in 1941 of Sir John Hewett has been filled by the election of Mr J. A. Drexel, and Colonel Gore Browne has succeeded General Lawrence.

STAFF'S LOYAL SERVICE

I know that you will wish to convey your thoughts for their safety and early return to the members of our staff in the Forces. To those of the staff who remain to carry on the increasingly difficult work of the Bank, we are grateful for the loyal way they have performed their various tasks. A special tribute is due to our British

managers abroad, who have continued to work in trying climates with no opportunities for home leave.

I now beg to move, Ladies and Gentlemen: "That the report and accounts now read be received and adopted."

Lieut-Colonel Sir Albert Stern, K.B.E., C.M.G., seconded the resolution and it was carried unanimously.

The chairman then moved the re-election of J. A. Drexel and Colonel E. Gore Browne, D.S.O., O.B.E., T.D., A.D.C., as members of the general committee.

This was seconded by Mr A. C. Gladstone, and unanimously approved.

The chairman further moved the re-election of Monsieur Philippe Mallet to the general committee.

The Rt. Hon. the Lord Hillingdon seconded the resolution, and it was passed unanimously.

VOTE OF THANKS

Mr Gordon L. Jacobs: Ladies and gentlemen, the passing of Sir Herbert Lawrence left a big gap and we can congratulate ourselves that Mr Jamieson has

been willing to fill that gap. I am sure it will be your wish that we extend to him a cordial welcome. (Hear, hear.)

Mr J. E. Rosselli seconded the vote of thanks, and it was unanimously accorded.

The chairman: Thank you, Mr Jacobs and Mr Rosselli, both for my colleagues and myself. As I said before, it is not a very easy task either for the members of the committee or for the management and staff, and we are very glad to have your approval and support.

The proceedings then terminated.

ARTHUR LEE AND SONS, LIMITED

A RECORD OF STEADY PROGRESS

DIVIDEND OF 40 PER CENT.

MR PERCY W. LEE'S SURVEY

The fiftieth ordinary general meeting of Arthur Lee and Sons, Limited, was held, on the 18th instant, at the Royal Victoria Station Hotel, Sheffield.

Mr Percy W. Lee, J.P., chairman and managing director, presided.

The Secretary read the notice convening the meeting and Mr A. L. Wing, F.C.A., of Messrs Wing, Richards and Holmes, the auditors, read the report of his firm.

The following is the statement by the chairman circulated with the report and accounts:—

While this is the fiftieth annual general meeting of Arthur Lee and Sons, Limited, it is our first meeting as a public limited company, and for that reason I feel that our new shareholders would like to have a short résumé of the history of the company.

HISTORY OF THE COMPANY

"We were incorporated in 1894, succeeding the business of James Fairbrother and Co., Limited, which was founded about 1860 and purchased by my father, the late Mr Arthur Lee, in 1874; he retired in 1903 when I was made chairman, and my brother the late Mr Arthur S. Lee and I were appointed managing directors. Since that time we have made very steady progress, and with periods of varied success we have, generally speaking, showed gradually increasing profits, and I am pleased to say that while there have been occasional years when for prudence sake we have not paid any Ordinary dividend, we have always earned a profit and maintained our preference dividends."

Our financial policy has always been a conservative one and we have ploughed back into the business a large portion of our profits; this thrifty trading accounts for our present success and our strong financial position to-day. In 1916, owing to the demands for war materials and the impossibility of extending our old works at the Crown, we purchased the land and built the first portion of our Meadow Hall Works. Like all new undertakings, this was faced with numerous difficulties to commence with, but these works have shown steady growth since we started them and I think I am safe in saying that hardly a year has passed without the installation of additional plant.

In 1935 we started a new strip hot rolling mill there, which has been an unqualified success. Of course, it had to go through its teething troubles and the consequence is that the profits which are now being earned from that department are not fully reflected in our standard profits. Since that date we have also made further additions to our plant which should help us materially in the years to come. As all these extensions are in our normal line of business, they should help us to meet the demand that will arise in post-war trading.

It has been our desire since the com-

mencement of this disastrous war to do all in our power to help in its prosecution and towards its early termination. We have worked harmoniously with the Controllers of the steel trade and I am pleased to report that our relationship with them is of the happiest. They appreciate what we have done for them, and in return they have shown us every consideration. As a body we have found them most helpful and we have every reason to be gratified that the control of our product is in such capable and efficient hands.

OUTPUT MATERIALLY INCREASED

Owing to war-time control we cannot maintain our usual discipline and efficiency, but, fortunately, thanks to the bulk of our staff and workpeople having been with us for several years and who still try to maintain their old sense of efficiency and loyalty, we have been able to materially increase our output in spite of the replacement of skilled operatives who have joined the forces by the additional employees who have come into the works, many of whom have had no previous works experience, and some of whom have undoubtedly had a prejudicial effect on production.

We are now employing in the works an increasing percentage of women labour, and while I feel that most of our jobs are not particularly suitable for women owing to the heaviness of the work and the conditions under which they have to work in steel works, they have been of great assistance, and on the whole have quite pulled their weight.

The increase in the number of women workers has, of course, put us to considerable expense, as we have had to provide special facilities for them. However, I can report that we are now well equipped at both works, particularly as regards canteens; we have a fine canteen both at the Crown and at Meadow Hall. The one at Meadow Hall, owing to the more favourable conditions, is, we consider, as good as anything in the district. We have also done all we can to encourage our employees to subscribe to War Savings Certificates, and have given them some considerable financial assistance to this end. I think you will realise that this action of ours has been very much appreciated by them.

POST-WAR PROSPECTS

We are fortunate in that all our productions are still in great demand. While I do not propose to make any prophecies with regard to the post-war prospects, I think you will realise from the remarks I have already made that so far as anyone can say, we can anticipate that time with confidence, although I expect there will be a transition period during which our customers will be readjusting themselves to peace-time manufacture, when there may be a lull in their demands, but fortunately for us our plant will require little or no alterations to meet post-war conditions beyond effecting deferred repairs.

One thing that concerns us, as it must do most manufacturers, is the recovery of our export trade which represented a substantial portion of our pre-war turnover. This was mostly with our Dominions, who, owing to the exigencies of war have either become producers themselves, or have been forced to buy elsewhere, but our close interests and friendly relationship with our biggest customers are such that I trust we may at least recover a portion, and may I say I hope a considerable proportion, of the trade for special qualities which they will require and with which we have supplied them in the past.

You will, I am sure, after consideration of the figures that have been presented to you, agree that we have again improved and strengthened our financial position during the course of the year, and we can look forward to the future with confidence.

Turning to the reports and accounts, which have been circulated, and I assume may be taken as read, you will observe that we have made considerable reserves to cover possible depreciation in stock values. This reserve has been built up to meet any probable contingent liability owing to a reduction in price that may take place.

PROFIT AND ALLOCATIONS

"The trading profit for the year is £268,343 after charging excess profits tax, to which is added interest and dividends on investments, £10,234—£278,577. From this are deducted reserves, depreciation, directors' fees and income-tax of £186,271, leaving a net profit of £92,306, to which is added balance brought forward, £50,427, and surplus on realised investments of £15,000, giving a disposable balance of £157,733. We allot to surplus investment reserve £15,000, and to new plant reserve £35,000 and to dividends already paid."

"A" preference shares 2½%	free of tax	£22,061.
"B" preference shares 5%	less tax	
Ordinary shares 15%	less tax	
and subject to confirmation.		
"A" preference shares 7½%	free of tax, making 10% for the year	
"B" preference shares 5%	less tax, making 10% for the year	£37,051.
Ordinary shares 25%	less tax, making 40% for the year	
and carry-forward £48,621.		

THANKS TO THE STAFF

In conclusion, I would like particularly to express the appreciation of the directors to all the members of our staff who, owing to the number of employees who have left to join the Forces, have carried on under most difficult circumstances, and who have always supported us by their willingness. Whenever they have been called upon to make any special effort they have always risen to the occasion, and have been of the greatest help in the successful carrying on of the business. To mark our appreciation of their loyalty we have started a staff insurance and pension scheme for their benefit, which has been and will be of a great help to them in the future.

The report and accounts were adopted. On the proposition of Mr Mark Barber, seconded by Mr A. R. Habershaw, a vote of thanks was passed to the chairman.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

EPT POSITION CLARIFIED

MR KENNETH A. E. MOORE'S STATEMENT

The annual general meeting of Trinidad Petroleum Development Company, Limited, was held, on the 12th instant, at the registered office, River Plate House, London, E.C.

Mr Kenneth A. E. Moore, F.C.A., the chairman, presided.

The Secretary (Mr J. Mytton) read the notice convening the meeting and the auditors' report.

The following is the chairman's review circulated with the report and accounts:—

It will be appreciated that the results shown by the accompanying accounts are those arising not from operations dictated by commercial considerations but from the carrying out of official policy in relation to specific production required from time to time, and they should be regarded accordingly.

LARGER AVAILABLE BALANCE

It will be observed that though the profits at £303,974 show a reduction of £94,456, the amount required to be provided for taxation out of them is less by £120,000, so that the net amount available out of the year's operations is £183,974, compared with £158,430 in the previous year. The accounts are of especial interest on this occasion, since the company's position in relation to excess profits tax has now been clarified except for a matter affecting the first two accounting periods, which is the subject of an appeal by the Crown from a decision of the City Commissioners.

In the accounts for the four years to July 31, 1942, provision for EPT and other taxation was made from year to year for the estimated liability computed on a conservative basis. The actual liability as now ascertained following the settlement of the company's standard profits and allowance under Section 13 of the Finance (No. 2) Act, 1940, and Section 31 of the Finance Act, 1941, is substantially less than the aggregate reserves so made, and after making the consequential adjustment for directors' additional remuneration (which is based on profits after deducting EPT), the sum of £150,000 is freed for transfer from taxation reserve.

ADDITION TO RESERVES

The directors feel that the wise course is to use this very welcome alleviation of the company's taxation burden to strengthen the financial position rather than to distribute it by way of dividend. It has, therefore, been added to general reserve account (thereby increased to £250,000), so improving the company's ability to finance further development when more normal conditions return.

After making a substantial payment on account during the year the balance of £387,416 remaining at credit of taxation and contingencies reserve account is, the directors are advised, sufficient to cover all known liability for taxation on profits earned down to July 31, 1943.

TAXATION IN TRINIDAD

Since the accounts for the past year were prepared it has been announced that the Government of Trinidad is extending its taxation legislation so as to render British companies operating in Trinidad liable to excess profits tax there. It is understood that this legislation is to be retrospective to January 1, 1943, that there will be reciprocal arrangements aimed at avoiding double taxation, and that general assurances have been given that British companies

will not thereby be called upon to pay in the aggregate more in taxation than was previously the case.

If this is so it means in plain language that the Trinidad Government has decided to take a larger share of the taxable capacity of British companies operating in Trinidad, at the expense not of the companies but of the British Exchequer. The draft Bill has only reached this country very recently and is having the urgent attention of the Trinidad Oil Companies Taxation Committee and other interested parties.

THE FINAL DIVIDEND

The proposed final dividend, making 15 per cent. for the year, is at the same nominal rate as for the past four years, but as the deduction for income-tax (after giving effect to Dominion income-tax relief) is at the rate of 5s. in the £ only, it is equivalent to a dividend for the full year of 22½ per cent. gross, less income-tax at 10s. in the £, and is therefore somewhat higher than the effective rate in recent years.

The company's standard profits and allowances as now ascertained cover the current rate of dividend with a modest margin for building up reserves for future development, and the large sums already paid or provided for excess profits tax may be regarded to some extent as a stabilising factor during the currency of that tax.

SATISFACTORY OUTLOOK

The news from the field, both geological and general, continues to be satisfactory and we may look to the future with reasonable confidence. Provident and pension funds for the staff and employees in Trinidad have now been in operation a full year.

The board wish to express their appreciation of the loyal and efficient service during the past year of the general manager, Commander the Hon. H. V. Lavington, the staff, both technical and clerical, and the workpeople in Trinidad. There has been no labour stoppage on our fields during the year.

The Chairman, in formally submitting the resolution for the adoption of the report and accounts, said: Since the accounts were published the taxation appeal referred to in my review has been determined in favour of the company.

Mr Richard R. Tweed, F.Inst.Pet., one of the joint managing directors, seconded the resolution, which was carried unanimously.

The retiring director, Mr Kenneth A. E. Moore, F.C.A., was re-elected, and the auditors, Messrs Josolynne, Miles, Page and Co., were reappointed.

A vote of thanks to the chairman, directors and the general manager and the staffs in Trinidad and London concluded the proceedings.

LEACH'S ARGENTINE ESTATES, LIMITED

The thirty-first ordinary general meeting of this company was held, on the 15th instant, in London, Mr H. Roy Leach (the chairman) presiding.

The chairman, in the course of his address, said: The profit on trading at £176,624 is £12,732 less than that of the previous year. The directors now recommend the payment of 3 per cent. on the 6 per cent. preference stock and 6 per cent. on the ordinary stock. In view of the general conditions ruling during the past year, we feel that the results obtained

may be considered as not unsatisfactory.

With regard to the 1942 sugar crop, very adverse climatic conditions prevailed. Improved climatic conditions have been experienced this year. Profits will be reduced during the current year unless legitimate adjustment of the selling price is made at an early date.

The report was unanimously adopted.

ROBINSON AND CLEAVER, LIMITED

LARGER TRADING PROFITS

The annual general meeting of Robinson and Cleaver, Limited, was held, on 18th instant, at the Linen Hall, Regent Street, London, W.

The Hon. John Mulholland, the chairman, presided.

The following is the statement by the chairman circulated with the report and accounts:—

In spite of the increasing difficulties of replacing stocks of consumer goods, especially of the company's principal commodity—linen—the retail branches have been able to maintain a reasonable flow of business; the factories, too, have been working under slightly better conditions than last year.

The trading profits at £88,116 show an increase of £17,260. The taxation account at £44,010 is again the highest figure on the debit side of the profit and loss account. To meet the company's E.P.T. liability, which has now been settled in principle, an adequate amount has been reserved pending a final settlement of the exact amount. There is little change in the other items of the profit and loss account, and a balance of £28,133 is transferred to the appropriation account compared with last year's figure of £16,775.

DIVIDEND OF FIVE PER CENT.

An amount of £14,000 has been transferred to the reserve for contingencies, partly on account of deferred repairs to the company's properties, and partly to build up internal reserves to enable the directors to provide for exceptional expenditure which conditions both during and after the war may occasion. As usual, War Damage Insurance and A.R.P. expenditure have been debited to this account.

An appropriation of £2,500 has been made to the staff benevolent fund, and after the payment of the preference dividend there remains a balance of £70,843, out of which the directors recommend a final dividend of 3 per cent., making with the interim dividend of 2 per cent., 5 per cent. for the year. When these appropriations have been made the carry forward will be £67,093 as against £66,770 brought in.

In the balance-sheet, shops, warehouses and factories show a slight reduction at £812,468. Stocks in trade show an increase of £6,042 at £179,982, but it should be noted that the monetary value of goods is enhanced by increased prices and purchase Tax.

Our thanks are due to the managing buyers and all other members of the staff for the loyal and efficient performance of their duties in face of the many difficulties occasioned by the war.

The report and accounts were unanimously adopted.

MAX STONE, LIMITED

INCREASE IN PROFIT

The eighth annual general meeting of Max Stone, Limited, was held, on the 15th instant, in London.

Mr Sydney Walton (chairman of the company), who presided, said: The profit for the financial year to the end of 1943, is £52,215, compared with £40,000 in the preceding year. Contributions of premiums under the War Damage

1941, were £257 10s. It has been the practice of the company to provide only for the exact liability in regard to taxation. This year a total of £50,000 is provided, sufficient to enable the company's taxation reserve in its balance-sheet to cover not only the liability to June 30, 1943, but also the income-tax for the remaining nine months to April 5, 1944. The total of £50,000 is in excess of the normal by approximately £10,000. The difference is taken from general reserve account. It may be regarded as a transitional arrangement by which the company accepts the recommendations of the Institute of Chartered Accountants as recently published.

After providing for the dividends, less income-tax, for the year to June 30, 1943, on the preference shares at the rate of 6 per cent, and on the ordinary shares at the suggested rate of 10 per cent, their remain undistributed profits of £10,961 out of

which the sum of £5,000 is appropriated to strengthen general reserve. Undistributed profits of £5,961 are carried forward.

In thanking the managing director, his executive colleagues and indeed the whole of the company's staff for devoted service through another year of stress and strain, I do so well knowing how hard it is, increasingly hard, to replace with suitable personnel those experienced managers and assistants who have passed into manifold branches of the war effort. The problem of replacement has engaged the close and thoughtful attention of the board. Despite most careful supervision the human factor does expose the company to the risk of breaches of the multitudinous regulations.

We exercise constant vigilance, but businesses like yours, with shops in many places and numerous transactions in crowded hours, are liable in a peculiar and anxious degree to innocent and un-

intentional errors on the part of inexperienced helpers. The comprehensiveness and complexity of the regulations which beset us demand exceptional study, and your directors decided to seek the guidance of eminent experts and authorities engaged in this field of work. We instructed them, giving them the fullest facilities, to examine and report on such measures and methods as will ensure by all means available to the board that regulations are kept in the letter as in the spirit.

After all, your company enjoys a valuable goodwill built on the practice and reputation of fair dealing. That goodwill is precious to us, and I can assure you that both in the national interest and in the economic well-being of this company no effort is being spared to honour the one and safeguard the other.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges : London

"FINANCIAL NEWS" INDICES				
1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Nov. 11	5,141	5,495	98.9	134.4
" 12	5,241	5,003	98.8	134.4
" 15	6,329	6,417	99.6	134.4
" 16	4,548	4,919	101.1	134.3
" 17	5,028	4,682	100.2	134.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

(WEEKLY AVERAGES) (1935-36-100)

	1943		Oct. 27, 1943	Nov. 3, 1943	Nov. 10, 1943
	Low Jan. 6	High July 13			
37 Industrials	81.1	103.5	97.5	95.4	92.9
32 Rails	72.6	99.9	93.5	90.2	85.6
40 Utilities	67.9	89.6	87.2	86.8	84.7
419 Stocks	78.5	100.9	95.7	93.8	91.2
Av. yield %	5.36	4.35	4.63	4.72	4.86

* Common Stocks. (a) Aug. 25.

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Nov. 4	115.6	1,154,000	Nov. 8	117.7	2,340,000
" 5	114.8	795,000	" 9	112.1	1,507,000
" 6	114.8	337,000†	" 10	112.9	926,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
November 20, 1943	£51,500	£	£77,250

By Permission to Deal. Particulars of Government issues appear on page 697.

Year†	Including Conversions	Excluding Conversions
1943	1,502,569,103	1,479,218,814
1942	1,343,050,950	1,311,314,577

Year†	Destination*			Nature of Borrowing*		
	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Pref.	Ord.
1943	1,475,911,710	2,668,427	638,677	1,467,556,660	2,127,701	9,534,453
1942	1,310,465,115	771,147	78,315	1,303,349,439	988,562	6,976,576

* Conversions Excluded. † Includes Government issues to November 9, 1943, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

Rates of Hire for Tankers.—After a long delay, agreement has been reached between the negotiating committee of the deep-sea tanker section of the Chamber of Shipping and the Ministry of War Transport on the rates of hire for tankers of 6,000 to 14,000 tons deadweight in respect of 1942. Increases on the 1941 rates have been granted to take account of the rise in operating costs, especially wages.

WEEKLY OUTPUT OF SALEABLE COAL

(Weekly Standard Tonnage 4,161,800 tons)

Four Weeks ended*	1941 tons	1942 tons	Four Weeks ended*	1942 tons	1943 tons
Nov. 28th	4,196,650	4,126,500	May 15th	4,103,900	3,624,600
Dec. 26th	3,853,400	3,880,100	June 12th	3,724,800	3,936,600
	1942	1943	July 10th	3,987,200	3,579,700
Jan. 23rd	3,824,800	3,813,400	Aug. 7th	3,339,300	3,097,800
Feb. 20th	4,028,000	4,016,400	Sept. 4th	3,978,900	3,767,800
March 20th	4,074,600	4,013,700	Oct. 2nd	4,076,100	3,819,400
April 17th	3,739,800	4,005,200	Oct. 30th	4,124,500	3,908,000

* The actual dates given relate to 1942 and 1943.

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

	Daily Average Sales			Stocks (at cost) end Sept.
	1943			
	July	Aug.	Sept.	
By Commodities				
Non-food Merchandise :—				
Piece-goods.....	-17.2	-13.5	+12.8	- 8.4
Women's Wear.....	-22.5	-12.8	+32.4	- 7.7
Men's and Boys' Wear.....	-26.9	-20.0	+30.2	+ 9.3
Boots and Shoes.....	-11.9	-12.1	+21.0	-22.0
Furnishing Departments.....	-11.9	- 6.9	-11.7	-13.0
Hardware.....	- 3.3	- 3.7	- 7.5	- 7.2
Fancy Departments.....	+ 4.2	+ 5.5	- 4.5	- 3.5
Sports and Travel.....	- 1.7	+12.9	+12.1	+ 1.3
Miscellaneous.....	+ 3.5	+ 3.5	+ 5.0	+12.4
Total.....	-12.1	- 7.6	+15.1	- 7.9
Food and Perishables.....	- 1.9	+ 1.0	+ 2.1	-17.0
Total.....	- 6.0	- 2.4	+ 7.5	- 8.7

Source: Board of Trade Journal.

THE "ECONOMIST" INDEX OF WHOLESALE PRICES

	Mar. 31, 1937*	Aug. 30, 1939	Nov. 10, 1942	Oct. 26, 1943	Nov. 9, 1943
Cereals and Meat	93.0	66.9	105.6	108.2	107.8
Other Foods	70.4	61.1	104.5	107.5	109.1
Textiles	74.2	54.3	92.8	91.4	91.6
Minerals	113.2	95.4	137.2	135.9	135.9
Miscellaneous	87.0	77.6	122.0	127.1	127.2
Complete Index	87.2	70.3	111.9	113.6	113.8
1913=100	119.9	90.8	154.1	156.3	156.6

* Highest level reached during 1932-37 recovery.

"The Economist" Sensitive Price Index.—This Index has remained unchanged at 149.7 (1935=100).

FINANCE AND BANKING

THE MONEY MARKET.—The money market during the past week has never been far from stringency, but at all times has just managed to meet its requirements without applying for special help to the authorities. The tighter conditions are shown in the fall of nearly £10,000,000 in bankers' deposits at the Bank of England. The banks have had to make substantial Treasury deposit receipt payments this week, the £80,000,000 of new money required of them in this form comparing with effective maturities of about £40,000,000. The increase in TDR payments and the rapid return of the Treasury bill tender to £90,000,000 indicates the increased reliance which the authorities wish to place on the former kind of short-term borrowing. By now the banks' TDR holdings must be well ahead of their

(Continued on page 700)

INDUSTRIAL PROFITS

TABLE I
515 THIRD 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)
All interest	5,915	8-5	5,690	5,372
Preference divs.	12,283	17-8	12,366	12,667
Equity divs.	38,452	55-8	36,229	37,589
Sub-totals	56,650	82-1	54,285	79-2
Free reserves and carry forward	10,792	15-6	12,313	13,494
Other savings*	1,584	2-3	1,914	2-5
Profits before tax, after E.P.T.	69,206	100	68,512	100
Per cent. of Year 3 preceding	100	99-0	103-0	106-1
Rate of tax applied in grossing up	8-6	10-1	10-1	10-1

* 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	62,633	65,588	59,735	61,834	...
2nd Quarter	442	...	...	...	59,091	55,256	56,700
3rd Quarter	425	39,068	39,151	38,025	39,491	38,192	38,411
4th Quarter	408	...	...	...	38,192	38,411	21,711
Whole Year	2,317	301,221	301,076	294,625	290,352	273,883	278,564

TABLE III
INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
(Four Quarters; 1938=100. Geometric Basis)
Based on Table II

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	98-6	98-6	98-0	99-0
1940	101-4	100-6	101-6	99-2
1941	95-8	97-5	95-5	97-3
1942	100-7	100-0	101-0	100-9*
1943	100-4*	100-1*	...	...

* Provisional.

TABLE V
DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL†

	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
1942	23-4	65-9	10-7	4-6	6-8	10-6	9-0
1943	25-7	65-0	9-3	4-5	6-9	12-1	10-6
1944	29-5	54-1	16-4	4-6	6-4	10-9	8-4
Whole Year	23-4	66-5	11-1	4-5	6-6	12-4	10-6
1941	19-9	71-3	8-8	4-2	6-9	17-0	15-1
1942	23-8	63-4	12-8	4-3	5-9	9-9	8-3
1943	17-6	63-8	18-6	4-7	6-0	17-3	13-4
1944	21-3	54-6	24-1	4-6	6-0	11-6	8-6
1945	20-8	59-5	19-7	4-8	6-3	12-0	10-0
1946	25-6	50-0	24-4	4-9	6-4	14-1	9-4
Whole Year	20-9	64-8	22-3	4-7	6-2	13-9	10-6
1941	18-3	60-3	21-4	4-7	6-2	18-5	13-3
1942	23-0	60-5	16-5	4-4	6-5	10-6	8-3
1943	18-4	61-4	20-3	4-6	6-2	15-9	11-9

† Original 1941-43 figures based on adjusted net profits old basis. Subsequent figures on gross profits, new basis, as given in Table I.

TABLE IV

INDEX OF NET REPORTED PROFITS, OLD BASIS,
BY DATES OF PUBLICATION

(Revised Geometric Basis)

(Four Quarters ended June; 1936=100)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	129-3	125-2	124-4	121-6
1940	120-7	120-8	116-8	115-1
1941	112-9	104-7	101-0	98-6
1942	96-5	94-4	95-4	93-1
1943	93-8	93-5	93-8	...

TABLE VI

PROFITS BY INDUSTRIAL GROUPS

Group	No. of Cos.	Reported Net Profits (£000's) Old Basis	Reported Net Profits (£000's) New Basis	Computed Gross Profits (£000's) New Basis
Financial, Land	42	1,600	1,785	3,390
Investment Trusts	26	853	534	2,296
Electric Supply	1	0	209	855
Hotels, Restaurants	3	162	1,131	1,244
Newspapers, Publishing	13	992	1,284	1,851
Shipping	8	591	53	2,615
Telegraphs and Telephones	1	83	198	140
Tramway and Omnibus	3	183	435	350
Warehousing	3	452	4	893
Waterworks	1	5	16	16
Entertainments	8	719	660	1,982
Oil	6	5,557	8,104	10,033
Rubber	111	765	841	1,987
Tea	37	1,021	1,195	1,215
Breweries and Distilleries	37	5,516	5,627	11,305
Food, Confectionery	13	1,524	1,659	2,933
Shops and Stores	18	1,313	1,316	2,112
Textiles	18	1,365	1,295	2,498
Tobacco	1	68	63	72
Building Materials	24	1,652	1,716	2,767
Electrical Equipment	5	927	899	1,347
Coal	13	956	1,924	3,471
Iron and Steel	19	89	1,990	6,761
Motor Cycles	10	270	588	4,438
Shipbuilding	2	589	714	1,219
Engineering	25	1,206	4,556	1,368
Other Companies	71	...	...	6,508
Totals	515	3,312	41,745	73,409

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 E.P.T. and N.D.C.). 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.

GOVERNMENT RETURNS

For the week ended Nov. 13, 1943, total ordinary revenue was £43,283,000, against ordinary expenditure of £100,894,000, and issues to sinking funds of £230,000. Thus, including sinking fund allocations of £8,644,860, the deficit accrued since April 1st is £2,002,102,000 against £1,847,330,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to Nov. 14, 1942	April 1 to Nov. 13, 1943	Week ended Nov. 14, 1942	Week ended Nov. 13, 1943
ORDINARY REVENUE					
Income Tax	117,500	530,388	425,196	4,296	11,680
Sur-tax	80,000	15,434	16,111	650	477
Duties, etc.	100,000	57,107	59,993	2,052	1,819
Stamps	17,000	7,820	10,780	200	200
N.D.C.	500,000	16,864	19,613	470	670
E.P.T.	1,000	206,941	304,163	10,633	11,570
Other Ind. Rev.	1,000	230	238	10	...
Total Ind. Rev.	187,300	635,844	836,094	18,111	26,416
Customs	525,320	287,275	336,078	7,735	10,732
Excise	450,180	266,900	298,400	4,400	4,495
Total Customs & Excise	975,500	554,175	634,478	12,135	15,227
Motor Duties	25,000	6,047	5,024	105	...
Canadian Govt. Contribution	...	195,265	...	4,495	...
P.O. (Net Receipts)	400	11,700	...	1,450	...
Wireless Licences	4,700	2,050	2,190	...	...
Crown Lands	800	620	650	...	...
Sundry Loans	4,100	1,675	4,019	74	44
Miscell. Receipts	24,000	56,852	47,105	1,654	1,596
Total Ord. Rev.	290,750	1,474,228	1,529,560	38,024	43,283
SELF-BALANCING P.O. & Brdcastg.	110,632	62,400	68,200	1,300	2,650
Total	301,832	1,536,628	1,597,760	39,324	45,933

Expenditure	Estimate 1943-44	April 1 to Nov. 14, 1942	April 1 to Nov. 13, 1943	Week ended Nov. 14, 1942	Week ended Nov. 13, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	214,718	242,783	1,366	1,144
Payments to N. Ireland	9,500	4,696	4,340	...	...
Other Cons. Fund Services	7,500	3,955	3,770	...	...
Total	392,000	223,369	250,893	1,366	1,144
Supply Services	536,675	306,032	327,214	107,500	99,750
Total Ord. Exp.	578,575	331,370	352,301	108,960	100,894
SELF-BALANCING P.O. & Brdcastg.	110,632	62,400	68,200	1,300	2,650
Total	589,383	337,610	359,127	110,260	103,544

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £80,788 to £2,916,276, the other operations for the week (no longer shown separately) raised the gross National Debt by £58,629,106 to £18,845 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
War Damage Act	678
	878

NET RECEIPTS (£ thousands)	
Land Settlement Act	9

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Nov. 14 1942	1020-0	Not available	Not available	Not available
Nov. 14 1943	1155-0	Not available	Not available	Not available
July 10 1943	1165-0	Not available	Not available	Not available
Aug. 7 1943	1170-0	Not available	Not available	Not available
Sept. 4 1943	1170-0	Not available	Not available	Not available
Oct. 2 1943	1170-0	Not available	Not available	Not available
Nov. 13 1943	1170-0	Not available	Not available	Not available

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allocated	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
Nov. 13 1942	85-0	170-7	85-0	20-0	0-60
July 23 1943	90-0	164-6	90-0	20-0	0-9
Aug. 6 1943	90-0	182-8	90-0	20-0	0-02
Sept. 3 1943	90-0	182-5	90-0	20-0	11-95
Oct. 1 1943	90-0	175-1	90-0	20-0	0-42
Nov. 13 1943	90-0	194-0	90-0	20-0	2-93
Dec. 1 1943	90-0	200-4	90-0	20-0	2-40
Jan. 1 1944	90-0	193-3	90-0	20-0	2-57
Feb. 1 1944	90-0	183-6	90-0	20-0	11-10
Mar. 1 1944	90-0	188-8	90-0	20-0	10-97
Apr. 1 1944	90-0	190-2	90-0	20-0	11-38
May 1 1944	90-0	199-8	90-0	20-0	0-36
Jun. 1 1944	90-0	196-3	90-0	20-0	11-95
Jul. 1 1944	90-0	181-8	90-0	20-0	0-62
Aug. 1 1944	90-0	193-4	90-0	20-0	0-48
Sep. 1 1944	90-0	213-1	90-0	20-0	0-24
Oct. 1 1944	90-0	197-5	90-0	20-0	0-29

On Nov. 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 27 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. or bills to be paid for on Saturday were accepted in full. £90 millions of Treasury Bills are being offered on Nov. 19th. For the week ending Nov. 20th, the banks will be asked for Treasury deposits to the maximum amount of £80 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
Sept. 7	5,287	1,522	5,334	7,412
" 14	4,555	1,413	4,772	8,332
" 21	5,437	1,393	6,272	15,651
" 28	5,626	1,386	6,597	12,322
Oct. 5	5,453	1,537	7,510	11,514
" 12	5,080	1,767	6,522	9,427
" 19	5,055	1,518	4,161	9,785
" 26	5,017	1,594	6,916	6,423
Nov. 2	4,767	1,562	4,493	11,353
" 9	5,147	1,861	5,690	23,049
" 16	...	...	5,606	9,872
Totals to date	962,824*	638,232*	1,403,366*	1,443,521*

* 207 weeks. † 150 weeks. ‡ 51 weeks. § Including all Series. ¶ Including 1952-54. Interest free loans received by the Treasury up to Nov. 16th amounted to a total value of £60,152,973. Up to Oct. 30th, principal of Savings Certificates to the amount of £128,272,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23s. 6d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

Date	Gold per Rs. a. 100 Fine Tola	Silver per Rs. a. 100 Fine Tola
Nov. 12	76-0	120-10
" 13	76-7	120-10
" 14	77-1	121-8
" 15	76-14	122-4
" 16	76-12	122-15
" 17	76-15	122-13

BANK OF ENGLAND RETURNS

NOVEMBER 17, 1943

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	11,000,000
In Circulation...	1,013,682,527	Other Govt.	1,038,090,000
In Bank of De-		Other notes...	877,32
partment....	36,559,191	Silver Coin...	10,34
		Am't. of Fid.	
		Reserve...	1,050,000,000
		Gold Coin &	
		Bullion (at	
		100s. per oz.	
		Specie...	241,718
	1,050,241,718		1,050,241,718

(Continued from page 695)

investments. Applications for the Treasury bills on offer last week dropped sharply from £213,080,000 to £197,535,000, and the market's allotment improved correspondingly from 23 to 27 per cent.

MONEY RATES, LONDON.—The following rates remained unchanged between Nov. 12th and Nov. 18th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, ½-1½%. Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½%; at notice ¾%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Nov. 12th and Nov. 18th. (Figures in brackets are par of exchange.)

United States, \$ (4.86½) 4-02½-03½; mail transfers 4-02½-03½. Canada, Cdn. \$ (4.86½) 4-43-47; mail transfers 4-43-47½. Switzerland, Francs (25.22½) 130-40. Sweden, Krona (18.150) T.T. 16-85-95. 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 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain, Peseta 40-50 (Official rate). Turkey, Piastres 520. Italy, 71-25 lire.

Market Rates.—The following rates remained unchanged between Nov. 12th and Nov. 18th:

Egypt, Piastres (97½) 97½-1. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½-1. China, National \$3-3½. 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. Rate for payment into Argentina special account: 16-03 pesos.

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.

NEW YORK EXCHANGE RATES

New York on	Nov. 10	Nov. 11	Nov. 12	Nov. 13	Nov. 15	Nov. 16	Nov. 17
Cables:—							
London.....	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½
Montreal.....	89-750	89-750	89-680	89-750	89-625	89-50	89-50
Zurich.....	37-00	38-20	38-00	38-25	38-35	38-38	38-38
B. Aires.....	25-05*	25-05*	25-05*	25-05*	25-05*	25-05*	25-05*
Rio.....	5-15	5-15	5-15	5-15	5-15	5-15	5-15
Lisbon.....	4-10	4-10	4-10	4-10	4-10	4-10	4-10
Barcelona.....	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm.....	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official buying rate 29-78. † Free rate. ‡ Bid.

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

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	Mandala	Nairobi	British S.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 ... £2,000,000

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

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 - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts)

PUBLISHING.—Large London firm require first-class man to undertake Market Research. Must not be eligible for military service. One with publishing and publicity experience and possessing Economics Degree preferred. This is a splendid opportunity for development with a progressive firm. Full details to Box No. 20, THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

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, 8,221 Agencies at Post Offices in Australia.

As at 30th June, 1943—General Bank Balances ... £287,573,348
Savings Bank Balances ... 221,004,681
Note Issue Department ... 149,496,942
Rural Credits Department ... 2,464,150
Other Items ... 21,990,375

£682,629,446

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

CITY OF BLOEMFONTEIN

FIVE PER CENT. INSCRIBED STOCK 1960.

NOTICE IS HEREBY GIVEN that in order to prepare the dividend due 31st December next the BALANCES of the several accounts in the above-mentioned Stock will be STRUCK on the night of the 30th November and that on and after the 1st December the Stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),

Circus Place, London Wall, E.C.2.

C. D. ALCOCK, Manager.

10th November, 1943.

CITY OF JOHANNESBURG

THREE-AND-A-HALF PER CENT. INSCRIBED STOCK 1958-9

CITY OF BLOEMFONTEIN

FOUR PER CENT. INSCRIBED STOCK 1954.

CITY OF PRETORIA

THREE-AND-A-HALF PER CENT. INSCRIBED STOCK 1953-4

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

For Barclays Bank (Dominion, Colonial and Overseas),

Circus Place, London Wall, E.C.2.

C. D. ALCOCK, Manager.

10th November, 1943.

THE FINANCIAL NEWS

though in short supply can still be purchased daily up and down the country. Should any difficulty arise write to the Publisher at 20, Bishopsgate, E.C.2, and he will guarantee to supply you.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5231

REGISTERED AS A NEWSPAPER

NOVEMBER 27, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONG SHIL

Great Illusions - - - - 701.

Rehousing Londoners - - 06

Ministries and Ministers - 702

Norwegian Health Services 14

UNRRA - - - - - 704

The Dollar Problem - - 17

NOTES OF THE WEEK - - - - 707

THE BUSINESS WORLD

719

Duties Defined; Sir Oswald Mosley; Towards Lebanese Independence; A Protective System; State Assets; Enterprise; The Future of Exports; World Needs; Slow Motion in the East; Debates at Algiers; The Ghost of Vichy; Second Thoughts on Hereford; Detention Camps; Advisory Councils; The Gilbert Islands; Indirect Speech; Shorter Notes.

AMERICAN SURVEY - - - - 711.

War Plants in the Far West; Favourite Sons; Freedom to be Fascist; Inflation Front; The California Japanese; Shorter Notes.

COMPANY MEETINGS - - - - 725

THE WORLD OVERSEAS - - - - 714

The Norwegian Health Services; The French Maquis; Switzerland's Foreign Trade.

RECORDS AND STATISTICS - - 728

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION 13.

Great Illusions

IN his speech to both Houses of Congress Mr Cordell Hull declared to the applauding Congressmen that by the procedure of co-operation with other nations likewise intent upon security, we can and will remain masters of our own fate.

This occasion, coming very soon after the passage through both Houses of resolutions in support of international collaboration, undoubtedly marks a milestone along the road away from "the policies of detachment and aloofness" which Mr Cordell Hull condemned. But it is easier to see it as a step away from isolationism than as a step towards something else. There is a growing momentum of good will in America behind the idea of international co-operation. There are fewer signs of a growing understanding of what international co-operation must entail.

In Mr Hull's speech, for example, there were many traces of that misleading variant of the collective security principle that brought the League of Nations to disaster—the belief that, since all nations are sovereign and share equally in an international organisation, none of them need bear any special responsibility. If this general system—call it League or Council or Organisation—in which all nations, great and small, stand on a footing of parity, is set up, then, Mr Hull argues,

there will no longer be need for spheres of influence, for alliances, for balance of power or any other of the special arrangements through which, in the unhappy past, the nations strove to safeguard their security.

Here, surely, the American people—and the world—being offered the League of 1919 all over again, with its old idealism, certainly, but all its weakness and faults as well. Equal and sovereign states do not operate in a vacuum. They are big or small. They have a war potential or not. Their economic and social life is twisted in a thousand strands with their neighbours. Aggression is not a chance collision of self-sufficient atoms revolving in the free air of an international security system. It is the cumulative effect of a series of frictions and shocks. To be checked effectively, it has to be checked at the level of causes, not effects. This, by definition, international security system cannot do because it is cognisance of a crisis only when it is past praying for—then—if past experience is anything to go by—only so effectively if "the peace-loving Powers" have very specific and definite arrangements—alliances—short—beforehand. Britain and Czechoslovakia were members of the League in 1938, Russia was a member in 1939. In both cases, pacts or the lack of pacts and the Covenant determined their policy. Mr Cordell I

doctrine does not prevent alliances. It merely secures that only the ill-disposed members of the League are united.

It is true that there is another great fallacy, which is at the opposite pole from Mr Cordell Hull's, and which he may have had in mind in composing his speech. This is the Big Three doctrine, which does, indeed, avoid the error of making the international system a perfect but impotent association of sovereign and equal states. It recognises that under modern industrial conditions only Great Powers can wage war effectively and that, as a result, there can be no genuine system of international security unless it is underwritten by Great Britain, the United States and Soviet Russia. It, therefore, argues that any future international system must grow up round the "nuclear alliance"—to use Mr Lippmann's phrase—of the three Great Powers. The danger in this type of thinking, perfectly sound as far as it goes, is that, like the myth of the universal League, it tends to mistake the real nature of international society. A concert of Great Powers, like a loose association of all the Powers, does not operate in a vacuum. The near-Great Powers and the smaller Powers also have policies, interests and activities which make up the content of international life and which they will not submit to the arbitrary control of an entente of the great. Yet it is these policies and interests that make for war or for peace. Unless the manner of associating the smaller states with the nuclear alliance is worked out far more clearly and unequivocally than has yet been the case, the Great Powers will be able to act only in extreme instances, and then in a way which will make their intervention most undesirable and most feared—by force.

This is a problem that human society has successfully solved on the domestic plane. Within every State, the power to use force is concentrated within a few hands. Most matters, however, are settled not by force but by law and agreement, in both of which all men, strong and weak, are equal. This is the analogy that needs to be followed in the international sphere. The Great Powers alone can wield force; they should recognise their responsibility and be ready, when force is required, to use it in unison. But the overwhelming mass of international relations will, we must hope, be settled without force or the threat of force, and in settling them all nations must be regarded as equal in status. In using their force, the Great Powers should be the executive arm of the international commonwealth.

This is the solution, stated in generalities. But the time has gone past for arguing in generalities and for building anonymous structures. The task now is to concentrate far more on the content of international society and to bring the framework of world order into relation with the kind of problems and disputes and maladjustments that will wreck world order unless it is properly conceived. Both fallacies have their elements of truth which are complementary—the perfect League does point to the sovereign interests of other nations, the nuclear alliance to the unique military power of the Great States. Both lack content. The remedy lies in an

uncompromising resolve on the part of the statesmen of the United Nations to abandon generalities from this day forth. There have been quite enough for the general perspectives and broad horizons to be reasonably clear. It is the hinterland, the rough roads leading to those broad horizons, that now need to be mapped. The principles can be made clear only by being applied. There are all the questions of concrete economic and social co-operation, which, starting from the work already accomplished during the war, can be expanded into a network of intermediate international institutions. The food conference at Hot Springs began the work along these lines. The delegates at Atlantic City have the opportunity of using UNRRA for the same purpose. Such wartime institutions as the Middle East Supply Centre point in the same direction, towards the organising of international life in as many purposive and co-operative organs of association as can be achieved, both regionally and internationally.

The other urgent need is the consideration of the concrete political issues which are likely to trouble the peace before it is fairly established. These are the first test of the nuclear alliance. They will show how the Great Powers mean to use their overwhelming strength, whether in co-operation with their smaller neighbours or in total disregard of their rights or wishes. If the problems are tackled co-operatively, then the nuclear alliance will already be on the way towards establishing a genuine international system in which the power of the great states is used in the only tolerable way—as a purely executive power exercised on behalf of all the states concerned. If the problems are settled unilaterally, then the nuclear alliance will start its career as a menace to the interests of the smaller states. It may then just possibly remain an alliance. It will never be the nucleus of a wider system.

None of this—neither the building of functional economic and social international institutions nor the consideration of concrete political issues—can be accomplished unless the Great Powers get down to the facts. Mr Cordell Hull rather dismissed them. He said

Much less could we anticipate the problems that are bound to arise from day to day and from year to year. There are other problems—for example, the questions relating to boundaries—which must, by their very nature, be left in abeyance until the termination of hostilities.

Unfortunately, this is not so. What is done while hostilities are terminating, in Italy, in the Balkans, in Poland, in Germany, will determine the shape of the peace. The problems—political and economic—of the settlement in Europe cannot be left for vague agreement in an unspecified future. Either the new system of international co-operation can come to agreed solutions or there will be no international co-operation.

The Moscow Conference was happily not the last word. At their meeting, the heads of state will perhaps turn from the general to the concrete and particular. It is the only foundation upon which a functioning system of world order can be built.

Ministries and Ministers

IF the will is there and the chance is taken, the new session of Parliament can begin the most important period in law-making and administration since the great Indian summer of Liberalism before 1914. Do the men and the machinery exist, in Westminster and Whitehall, if the Government does at last produce the necessary measures, to start an era of national refreshment and reform? It is the time for Government and Parliament alike to look over their equipment, to discard old worn-out gear and indent for new.

Waging the war has compelled changes in the methods, agencies and personnel of government. New Ministries

have been set up; new means of Cabinet control and consultation have been developed; new kinds of civil servant have been recruited. The administrative requirements of peace will not be less. It is important to answer three questions, at least in general terms. What reform of Ministries will the peace effort make necessary? What should be the constitution and duties of a Peace Cabinet? Can reconstruction be carried out by the pre-war Civil Service?

A word of warning was said here last week against the delusion that new Ministries automatically secure new solutions to old problems. But this does not mean,

of course, that there will not be a need for a certain sorting out of functions when the war is over, for the disappearance of some departments and the sub-division of others. Some of the wartime Ministries will be as apt for peace as for war; it will obviously be wise to keep the Ministry of Food, for instance, as the instrument of a national nutrition policy. Other Ministries will not be needed, at least in their present form. The home functions of the Ministry of Information, to take a clear example, will cease when the war stops, though some of its overseas work should be continued by other agencies. Most important of all, peacetime tasks will require peacetime Ministries not yet devised. In most cases the nucleus can be provided by existing departments. The Ministry of Supply, for instance, is in fact two Ministries, a Ministry of Army Supplies and a Ministry of Raw Materials; the former should be merged with the Ministry of Aircraft Production and the supply department of the Admiralty in a single Ministry of Defence Supplies; the latter, if the Government's functions in the field of production are to be properly performed, should be merged with the industrial branches of the Board of Trade and, possibly, with some sections of the Ministry of Production (which as a separate department should disappear) in a Ministry of Industry. This would leave the Board of Trade to specialise in international problems.

These are obvious cases of the regrouping necessary for peace work. Another is overdue. The Ministry of Health is not, in fact, a Ministry of Health. It is the old Local Government Board with its title changed (at the end of the last war) and various duties added, simply because town planning, housing and public health were locally administered. Its planning powers have already been transferred to the new Ministry of Town and Country Planning; its housing powers should pass to the Ministry of Works and Building; and the Ministry would then be left divided into two separate sections, the Local Government Department and the Health Department.

In strict logic, no doubt, a case could be made out for constituting each of these disparate sections as a separate Ministry, with the Ministry of Social Security to complete the trio. But it is precisely this sort of dismemberment of functioning organisms, proposed in the name of logical neatness, that raises doubts in the minds of those who have practical experience of administration. In the implementation of a real programme of "food, work and homes" the need for clearly defined Ministries of Food, Industry, Trade, Housing and Health is, of course, unquestionable; reform can hardly go less far. But there are also dangers in the multiplication of departments. Most of the difficulties of modern administration arise out of the time-wasting necessities of "co-ordination"—that is, of keeping all who are concerned in a

matter in touch with each other—and the expenditure of effort varies as the square of the number of units to be co-ordinated. Moreover, there is the question of personnel. It is certain that, say, a new Ministry of Local Government would be junior in both importance and influence to the present entrenched Ministry of Health. It is not entirely because of vested interest that the political and permanent heads of Ministries are disinclined to preside over the liquidation of their departments; there is a real shortage of able and influential men, either to be Ministers or, more important, to be Permanent Secretaries. The multiplication of Ministries means the multiplication of Ministers; the Cabinet threatens to become a rabble.

It is at this point that the first and second questions—what kind of Ministries and what kind of Cabinet?—overlap. The advantages of relatively small, compact departments with distinct and specialised duties, subject to the condition that the Balkanisation of government is not carried so far as to break down administration into tiny powerless parishes under a crowd of little clerks, are as evident as the disadvantages of huge, cumbersome Ministries, which engross all manner of functions. But the country cannot be governed nor the highest policy be made by a Cabinet the size of three football teams. Moreover, departments cannot operate in isolation; their work touches in many places and affects the same people; and they fall into groups dealing with kindred questions, at home and abroad, in industry, trade, defence or social affairs. It is necessary to specialise, but it is impossible to divide and rule.

In wartime this double problem has been solved empirically. First, high policy and administration are kept apart by the device of two Cabinets: the inner War Cabinet of front-rank politicians, some without departmental duties; and the outer Cabinet, members of which enjoy "Cabinet rank" and are responsible for their departments to Parliament, but which as a body never meets. Secondly, policy concerning groups of departments is considered either in Cabinet committees or by specially appointed Ministers.

The Peace Cabinet will have to make use, more deliberately and more comprehensively, of these established expedients: the small inner Cabinet; standing Cabinet committees for questions common to several departments; *ad hoc* Cabinet committees for particular interdepartmental projects; and "group" Ministers, like Lord Woolton, Mr Lyttelton and Mr Churchill, to inspire and stimulate the policies and action of groups of departments. It would be quite wrong, however, to make this framework too set and formal. Whether there should be a "group" Minister of Reconstruction, Production or Defence depends upon whether there is a statesman available to do the job. What should not happen, on any account, is the creation of over-grown



CREATE AN ESTATE

Every man who effects a Life Assurance Policy immediately creates for those dependent upon him a personal Estate of known amount free from the risk of depreciation

EQUITY & LAW LIFE ASSURANCE SOCIETY
LINCOLN'S INN FIELDS

Temporarily removed to
163/4, STRAND, LONDON, W.C.2

super-Ministries or the blurring of the responsibility of Ministers to Parliament.

The problem of Ministerial responsibility is perhaps hardest of all to solve—on paper. For every administrative act there must be an individual Minister to answer, with the proviso that, in the last resort, the Cabinet as a body is responsible for all policy to the Commons which supports it and can vote it down. The dilemma is this: if departmental Ministers retain their responsibility to Parliament, the War Cabinet member responsible for a "group" can have only a shadowy authority over it; but if departmental Ministers become Under-Secretaries and responsibility is concentrated in the War Cabinet member, everything of importance will have to pass through the bottleneck of his attention. The wartime experiments have not resolved this dilemma. It has come nearest solution in defence matters, where the convention has been generally accepted that it is, say, the Secretary of State for War who must answer for the shortcomings of the Army, but the Minister of Defence for the strategy of the war as a whole. But the system works in this case only because the "group" Minister is also the Prime Minister and a towering personality. It has not worked well in other fields—in production, for example, or in the interrelation of food and agriculture. This is a difficult dilemma to escape from. But to conclude, as some faint hearts do, that because it is difficult, nothing can be done about it would be defeatism. The problem must be solved if British administration is not to bog down. Possibly the solution is to be found on the lines of developing, within the general framework of the collective responsibility of the whole Cabinet, a sort of minor collective responsibility within a number of sub-Cabinets or Standing Committees of the Cabinet. The Economic Committee would be the place where economic policy was thrashed out, with appeals to the full Cabinet being taken only in exceptional cases; and the policy once decided it would be the collective responsibility, vis à vis their colleagues as well as Parliament, of all the economic Ministers.

These are not questions to be answered by written rule. That is not the way of the British Constitution. It is not possible, for instance, by any nicety of definition to draw a plain line between the making of policy and its administration, with Ministerial responsibility appor-

tioned accordingly, as PEP in its latest proposals for improving the machinery of government* seems to suggest. Nevertheless, PEP's point is most important: efficient government is not possible unless both the opportunity and the personnel are provided for working out policy in advance, in the departments, between the departments and at Cabinet level. PEP proposes that the chief administrators in every Ministry should form the Minister's policy-forming committee, with an expert planning group to collect, supply and interpret all the data needed for looking forward, and that there should be the same kind of organisation and staffing between the departments and attached to the Cabinet, as indeed there already is in wartime, to a very large extent. This is of course sensible and sound. It raises the third question—what kind of civil servant?—which *The Economist* has consistently emphasised as perhaps most important of all. In PEP's words

The problem here discussed is not, and should never be regarded as, purely a question of organisation—of formal structures and relationships. Behind the organisation lie the intangibles—the spirit and attitudes, the abilities and equipment, of the men who constitute the organisation.

The recruitment, in peace as in war, of new kinds of civil servants, trained and experienced in industrial, commercial, financial, scientific and educational activities, is not called for because the state intends, or ought to intend, to dominate industry, commerce, finance, science or education; nor because the old-style civil servant, trained and experienced in Whitehall, has failed. It is needed, in the conditions of modern life and government, so that the State may do properly whatever Parliament and the people may require it to do; and, except in individual cases, the present very intelligent and talented permanent civil servants have been brought up too narrowly to discharge expertly and with understanding the many new duties of control and oversight which have already been forced, by events not doctrine, upon the modern state. The right men are even more needed than the right machinery to translate reforms into fact.

* Planning. No. 214. A Civil General Staff. PEP, 16, Queen Anne's Gate, London, S.W.1.

UNRRA

THE Conference that is proceeding at Atlantic City has not been well reported, and it is not easy to form an exact idea of what has been decided. The Soviet delegation at one point proposed the exclusion of the press; and there is a great deal to be said, in a complicated and technical matter like this, for the Hot Springs procedure of permitting no publicity until a full report could be made. The meeting is not, strictly, a Conference; it is the first session of the Council of the United Nations Relief and Rehabilitation Administration, which was set up by formal agreement signed at Washington earlier in the month. The Council is a large body; it has a Standing Committee, in which the United States, the United Kingdom, the USSR and China are represented, and a number of other Committees, of which the most important, the Supplies Committee, is presided over by a Canadian. Mr Herbert H. Lehman, President Roosevelt's successor as Governor of New York, is the executive head of UNRRA.

The first and most important question of procedure to be decided was the means by which UNRRA could procure its supplies. At present the free world's supplies of food, raw materials and manufactured goods are centrally controlled by the Combined Food Board, the Combined Raw Materials Board and the Combined Production and Resources Board, sitting in Washington. The United States and the United Kingdom are members of all three, Canada of the first and third. Some objection was taken to bodies of such restricted mem-

bership being placed in such a commanding position. But the advantages of maintaining centralised control through a period of scarcity are too obvious to require any exposition, and it would clearly be wrong to permit UNRRA—and even more clearly wrong to permit individual countries—to build up stocks, to be held in reserve against an eventuality that may still be distant. As for the restricted membership of the Combined Boards, this was decided upon for severely practical reasons, not in any exclusive spirit. On the same plane of severe practicality, it is obvious that UNRRA will be a success in precise ratio to the extent that it enjoys the good will of the American and British Governments. It appears to have been decided to work through the Combined Boards, and that is certainly the course that common-sense and ease of administration would dictate. The report that UNRRA was to have its own fleet of ships appears to have been a complete *canard*. Anything of the sort would obviously be lunacy. Neither supplies nor transport are going to be so plentiful that any watertight compartments can be permitted. Relief will have to be begun while fighting is continuing, and the claims of both can be adjusted only if the resources are pooled.

A more serious divergence of view appears to have arisen between those countries (e.g., France and Holland) which are well provided with gold and foreign balances and those others (e.g., Greece, Yugoslavia and Poland) which have no external assets. Should the "Haves" be permitted to make their own approaches to the Com-

bined Boards and secure their own supplies, or should they be required to put their claims through UNRRA? The danger in permitting individual action is that it might result in inequitable treatment, supplies being allocated in proportion to means, not needs. On the other hand, few derogations from national sovereignty could be more galling than restrictions on a government's right to do the best it can for its people, and the French and Dutch would be justified in asking whether the supplies of consumers' goods for the American and British peoples are to pass through the UNRRA bottleneck. A satisfactory compromise appears to have been reached. The "Haves" are to be entitled to approach the Combined Boards direct; but UNRRA is to have the right of veto if this results in an inequitable apportionment of supplies.

A further problem involving delicate matters of pride and status was that of the mechanism of distribution to be adopted in each country. In the first phase of military re-occupation, the distribution of relief, like everything else, will necessarily be under military control; the controversy relates to the succeeding phase. Two opposite dangers need to be avoided. On the one hand, it would clearly be wasteful, and unnecessarily wounding to national dignities, for UNRRA to set up its own distributing machinery in countries where there is a legitimate government in full control. On the other hand, in countries where there is reasonable doubt which of several contending factions is, or should be, the legitimate government, to have UNRRA bounty to distribute might put an unfair disadvantage in the hands of one party. The original proposal appears to have leaned too strongly to the legalistic side, and the French and Jugoslavs protested against it. Here, again, a satisfactory compromise has been reached, by which the full formalities of *de jure* recognition will not have to be awaited before a government can secure supplies to distribute. It would, however, probably be too much to hope that there will be no accusations that UNRRA is playing politics with the people's food.

An ingenious device has been adopted for fixing the financial contributions to be made by different countries towards the costs of relief. It has been proposed that each of the "donor" countries should contribute a sum roughly equal to one per cent of its national income. The American contribution would be \$1,500 million, that of the United Kingdom \$320 million and of Canada \$90 million. Australia, New Zealand and South Africa would contribute \$32, \$8 and \$12 million respectively. For poorer countries there is to be some reduction in the scale. Thus, India's \$35 million and the \$495 million to be found by Egypt and the Latin-American countries together represent less than one per cent of these countries' national incomes, while it is apparently expected that Russia and China will make no contribution at all. This is an interesting illustration of the way in which the national income, so recently an obscure academic plaything, is becoming an instrument of statesmanship. It is to be presumed that these sums will, in the main, be spent in the countries providing them. Thus the United Kingdom's £80 million will pay for the supplies coming from this country and the colonies. To have to provide more than a small part of that sum in foreign exchange would be a different matter, which would call for a reconsideration of the formula. The administrative costs of UNRRA are to be shared by a different formula.

These questions of method and procedure are necessary preliminaries and it is useful to have them settled. But they should not be allowed to obscure the fundamental problem of relief, which is that of matching supplies to requirements. On the side of requirements, a great deal of useful work has been done. The Allied Post-War requirements Bureau reported in the summer, giving detailed figures of the requirements for eight European countries under nineteen separate heads. These totals were doubtless realistic when related to the needs of these countries; but that they were less realistic when

related to the possibilities of supply can be sufficiently demonstrated by the fact that they called for total imports at the rate of nearly 47 million tons per annum by sea and 45 million tons by other means. Since then, there is reason to believe that progress has been made in establishing a list of requirements on the bare minimum basis, which is, unfortunately, all that is likely to be possible.

It is, however, a serious question whether even this bare minimum of supplies will be forthcoming. When the whole problem first began to be discussed some two years ago, it was possible to assume that there would be large supplies of many, if not all, of the commodities that would be needed. The first title that Sir Frederick Leith-Ross bore after he left his full-time post at the Ministry of Economic Warfare contained the word "Surpluses," and there has been a certain survival of ideas from this now remote period, if not in the official debates, then certainly in the public discussions of the question of relief. The truth is that there is now very little of anything. With a very few exceptions, there are no large stocks of food or raw materials waiting for ships to lift them. Wool may be a partial exception among the raw materials, though it is of little value without the ability to transform it into cloth. Wheat has hitherto been an exception among the foodstuffs, but it is questionable how much of the stocks will be left when the war ends. Manufactured consumers' goods (clothing in particular) are by now in short supply everywhere, and the prospect of increasing supplies depends more upon the release of labour and capacity from making munitions than upon either raw materials or shipping. Fuel is also in universal short supply.

The largest uncertainty in assessing probable supplies relates to the policies to be pursued in the United States. American supplies are vital, since the United States is the only large country where the average citizen still has a substantial margin of consumption above the bare necessities. The question is whether any part of that margin is likely to be put at the disposal of relief. If it seemed probable that American consumption of food, for example, would be reduced to, and held at, the level of, say, 1938, there would be a substantial supply available for UNRRA. It is a question that only the American people and Government can answer, but the present probability is that the answer will be in the negative. Next year is an election year; the Democratic party is convinced that its setbacks in 1942 and 1943 were due to irritation over rationing and restriction more than to any other single factor; and the Administration is now in full retreat on this front. American good will is plentifully mortgaged for relief; dollars will be forthcoming; but whether food or clothes will be available in substantial quantities is much more doubtful. Indeed, there is some risk lest the pressures of politics will lead the American Government to find supplies for relief at the expense of other countries which, while far from starving, are less plentifully supplied than America itself.

This sheds a particularly humorous light on the contention of the Nazi propaganda that UNRRA is a plot "to flood the liberated countries with American and also with British goods, thus preventing these countries from bringing their own industry and agriculture into alignment with peacetime conditions." The truth is the opposite, and the danger is lest the suffering countries of Europe are being misled into exaggerated expectations of what can be provided. The second R in UNRRA's title stands for Rehabilitation, and it would be the path of wisdom to lay by far the greater weight of emphasis upon this aspect of its work rather than on Relief. It is a hard truth, but a truth none the less, that Relief will have to be restricted to the bare minimum necessary to keep Europe alive, and that the best hope for a quick return to comfort and prosperity lies in the speed with which the normal processes of industry and agriculture can be restored. Self-help must necessarily be the liberated countries' chief resource, and they should look to UNRRA for assistance and counsel in this task rather than for the means of making it unnecessary.

Rehousing Londoners

WHILE planners are working on blue-prints for the betterment of Greater London, and the Government is still debating appropriate legislation "to control and direct the use of the land of Great Britain", the London County Council, whose plan for the redevelopment of the inner London area has aroused much praise and controversy, has taken the first practical step in its own local programme. Compulsory powers are being sought to acquire 910 acres of land at Oxhey, in Hertfordshire. The spur is necessity. Whatever may be thought of the site selected, there can be no question that the LCC has to find sites somewhere outside the County to house its overflowing population decently. On any basis, the replanning of London County will leave a surplus to be housed elsewhere. Equally, although it is a pity that the Council should have to act before the framework of a national plan, or even of a general plan for Greater London, has been completed, longer delay in discharging their rehousing duties is not possible. With the coming of peace, the LCC will be faced with an acute housing shortage, against which they must be armed in advance. The Oxhey proposal may look like an isolated action, unrelated to a general scheme. But criticism on this score needs to be directed less against the LCC than against the delay in formulating national policy for redevelopment.

The reasons for choosing Oxhey are not known. Too much weight need not be given to local objections, which are bound to come wherever a well-placed district receives an influx of what it regards as "poorer development." What is unfortunate is the use, before fuller details are available, of the phrase "satellite town" for the Oxhey project. A satellite town is best and commonly taken to mean a town and not a dormitory suburb; a place to live and work, as well as to sleep; with a distinctive life of its own, largely self-sufficient as regards public and social services, recreations, and employment, though linked with its metropolis in terms of general economy and by reason of accessibility. It may be that the LCC, by providing in advance community centres and other facilities, will avoid the dreariness and lifelessness which have so far characterised most new housing estates on this scale. But the most pertinent question is whether work will be available locally, and how much work?

Probably only an industrial expansion of Watford could provide local employment for the Oxhey estate. A proportion, if not the whole, of the new residents will presumably have to travel to central London daily, in the first instance at least; and the London Passenger Transport Board has no doubt been consulted. This in itself is perhaps ominous, even though it may be inevitable, for the large estates erected by the LCC before the war added much to the overcrowding of London transport, and the metropolitan traffic system is approaching saturation point.

In the absence of fuller information, detailed criticism of the Oxhey proposal is perhaps out of place. It does, however, on the surface, bear a suspicious similarity to the LCC's pre-war rehousing policy, which, perhaps unavoidably, aimed at solving the County's own overcrowding problem, without troubling much where the residents of the new estates should work and how these estates affected the wider problem. This was not the LCC's fault. Then, as now, they were working without the guidance of any coherent national policy. But the effect was to increase the arbitrary sprawl of London and the national problems arising. The question which the LCC's Oxhey action raises anew is the old one. How should decentralisation from the County of London proceed?

Between the two wars decentralisation from London took the form of an uncontrolled overspill into the outer London area. Whether control is exercised this time or

not, there is no doubt that decentralisation will continue. The London Plan anticipates that over half a million people will go from the County in the post-war decades; and in the discussion the only quarrel over this figure has been whether it should not be higher. Industry, too, has moved out from the centre, and in 1937 a peak number of 48 factories left inner for outer London. The London Plan hopes and expects that this trend will also continue or increase after the war.

London is a special and, in some ways, an insoluble problem. Different and more drastic measures will be needed to reorganise it than is the case with other smaller cities. The Barlow Report recognised this when it proposed that a "National Industrial Board" should have executive powers to prohibit factories in the London area, but only advisory functions elsewhere. The economic structure of London is a jigsaw puzzle whose pieces have never been fitted together. Outer London grew up as a dormitory for the inner area, but on top of this has come industrial growth, and finally large numbers of factory workers from all over the country. Industry has often selected the older residential areas, to the annoyance of the latter, while factory workers have often been crowded out by people employed in offices in central London from living near their places of work. Housing, as in the case of the LCC estates, has been as a rule completely unco-ordinated with employment, and sometimes with transport as well. The problem of overcrowding on transport to and from the centre of London is well known, but there is less realisation of the great amount of cross-travelling that is done every day by London's factory workers. Factories in Mid-Kessex now employ about half a million people, against three-quarters of a million employed in the County of London itself, and in addition to the reciprocal flow of workers between the two counties there are innumerable minor movements. If, after the war, there is a further unco-ordinated sprawl of both housing and industry into the outer London, transport difficulties will be increased, not so much in the form of up-and-down travel as in that of cross-travel, for which the facilities available are far from satisfactory. In addition, there is no doubt that the factory worker has a much stronger objection to spending time and money in travelling to work than the office worker.

It is, of course, impossible to wipe out the traffic jam which has been done. The important thing for the future is to ensure that central London shall not continue to be cleared at the expense of outer London by becoming a dumping-ground. A solution which is widely advocated is decentralisation to real "satellite towns." These would be at least 20 miles from the centre of London, and might take the form of either specially constructed towns or the enlargement of existing towns or villages. In either case they would be substantially self-sufficient in the sense defined above. Many responsible planners advocate that the whole decentralisation from central London should be accomplished in this way. This would have the merit of avoiding any increase in the size of Greater London. But how is this to be done? Satellite towns with homes and work cannot be created by a wave of the wand. Industry, left alone, will go where it wills, not where planners want it. Yet, if Greater London is to be a fit place to live and work in, it is of the highest importance that housing and industry should not be allowed to go their several and irresponsible ways, bringing grave problems of transport, work, and public services. Further development must, so far as possible, be designed to reconcile the pieces of the jigsaw, in the phrase once used by Bismarck, to "paper over the cracks."

What is possible? The double decentralisation of population and industry needs to proceed on the basis

of a comprehensive plan covering a wide margin around the area which is usually taken as Greater London. Such a plan is now in preparation under the able hands of Professor Abercrombie. But the plan of itself will be little use without new powers of the type suggested in the Barlow and Uthwatt reports. To some extent housing must wait on industry; and although the reverse arrangement is sometimes possible, as in the provision of a trading estate by the housing authority, this is not often done nor always desirable. For this reason alone a national policy for the location of industry is vital to the future of London. If nothing is done, to quote the London County Plan,

Following an immediate period of dislocation, a continuous and probably increasing outward move of factories to the nearest vacant land or suitable premises outside the County will set in. If not properly controlled, this will, in its turn, induce the development of further residential areas and necessitate the extension of transport facilities, resulting in an ever-increasing sprawl of the Metropolis. This, at all costs, must be prevented.

The urgency of the situation has compelled the LCC to go forward with plans for decentralising its surplus population in the old way. It is more than time that the Government came forward with proposals to do the utmost, by state policy, to guide rehousing.

NOTES OF THE WEEK

Duties Defined

Minimum objectives for the new session of Parliament were laid down in Wednesday's Speech from the Throne. The distinction drawn in the Speech between "a measure embodying proposals for education and 'views and proposals' for other social reforms, if it forecasts a Bill for the first and only White Papers for the others, sets the sights far too low, and should be strongly resisted. If, when the session ends, actual Bills have not been produced on all the matters specifically cited—that is, for the training and employment of disabled persons, for the reconstruction of the national system of education, for the enlargement and unification of social insurance, for the establishment of a comprehensive health service, for the reform of workmen's compensation, and for the redevelopment of "areas which, by reason of enemy action or otherwise, need to be replanned as a whole"—both the Government and Parliament will have failed in their duty. The programme of "food, work and homes," still only a slogan, needs not only these Bills, but good Bills, which really solve problems, many of which are a generation old, and, probably, more Bills.

My Ministers . . . have undertaken a special review of the problems that are likely to arise as hostilities in Europe come to an end . . . and in the months to come will complete their provisional plans for the period of transition through which we must pass before the troubled times of war give place to settled conditions of peace. It will be the primary aim of My Government to ensure that, in this period, food, homes and employment are provided for My people, that good progress is made with the rebuilding of our damaged cities, and that in industry, mining and agriculture a smooth transition is made from war to peace.

The Cabinet has defined its duties, in very much the same general terms its critics have pressed upon it for many months; it remains for Parliament to see that duty is done, and that no excuse of crowded Commons time, administrative delay, or "controversy" is permitted to prevent the minimum objectives, at least, from being reached. The terms of the King's Speech, with Mr Attlee's glosses upon it in the following debate, have already strengthened two doubts. The first is that the Government's approach is still too tentative and too provisional, too much concerned to secure agreement before decisions are made and too little disposed to take the responsibility of stating a policy. The second is that the programme may well turn out to be bits and pieces and not a rounded whole; a heap of bricks is not a building.

Sir Oswald Mosley

It is just two years since Mr Morrison was hotly attacked in the House of Commons for detaining people under Regulation 18B. Since then he has been gradually releasing them, and at the end of September the number of persons still under detention was only 364, against about 1,300 at one time. No one has objected to these releases—in fact, no one has paid any attention to them—and Mr Morrison might be excused for underestimating the public outcry which greeted his announcement last week that Sir Oswald Mosley was to be conditionally released on health grounds—he is suffering from phlebitis. Protest meetings have been held; monster petitions have been drawn up; and deputations have taken place—the

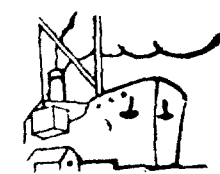
sort of action, in fact, that in English history is usually associated with wrongful imprisonment rather than compassionate release. On hearing the medical opinion—that continued detention might well produce "permanent damage to health and even danger to life"—Mr Morrison, as he told the House of Commons on Tuesday, had only two courses open to him: to keep Sir Oswald in detention and possibly have the responsibility of his death, or to substitute for detention "some system of control approximating to house arrest." In this case, as throughout the administration of 18B, the safety of the state must come first. If, in spite of his health, Sir Oswald Mosley could be a danger to the state if he were released, Mr Morrison would have no option but to continue his detention. If, however, the state of his health is such that it is possible to control him and his activities without detention, then Mr Morrison is not only right in letting him out of detention, he would be wrong in keeping him in. Over and over again it has been emphasised, not least by the very people who are most active in protesting against Mosley's release, that persons detained under 18B have committed no crime and have had no trial or conviction, and that, in Mr Morrison's words,

these extraordinary powers of detention without trial must not be used except in so far as they are essential for national security.

This principle must also be upheld when it is a case of a person with Sir Oswald Mosley's record, and it would have been a grave miscarriage of justice if Mr Morrison had allowed himself to be swayed from this principle by considerations of Mosley's wealth or national unpopularity. The only criticism that can be brought against the Home Secretary is that he did not issue, before the release took place, the explanation he gave this week. The popular outcry is, in fact, somewhat disquieting. It is easy to say any reaction against Fascism is welcome. But in this case the reaction is not a healthy one. It ill becomes the Communists, for instance, who never suffered detention under

Export
and

Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

18B even when they were obstructing the war effort, to say that Mosley's release is "insulting and disheartening to all who are fighting and working everywhere against Fascism." Moreover, the alacrity with which the Transport and General Workers' Union protested against it, especially in view of the union's close connection with Mr Bevin, has naturally raised suspicions, unjust it is to be hoped, that Labour Party policies rather than disinterested anti-Fascism were involved. A similar construction might well be given to the National Council of Labour's attitude and the T.U.C.'s resolution. More disturbing still are the mass protests and deputations which are non-sectional. These savour strongly of the mass hysteria on which Fascism itself is built. And the slogan—"Let the man die in prison"—has the brutality associated everywhere with the name of Nazi. Least legitimate of all are the views that have appeared in print—in a Liberal newspaper of all places—that the release was wrong because it was unpopular with the British people and, believe it or not, with their Allies. Justice is nothing to do either with popularity or with diplomacy; indeed, it cannot be maintained unless it is prepared to be unpopular both at home and abroad, and if ever the day comes when men, unconvicted of any crime, are put into or let out of gaol on a mob vote, the institutions of civil liberty which are England's greatest contribution to mankind will be at an end. The behaviour of the Home Secretary's critics has been disgraceful.

* * *

Towards Lebanese Independence?

After a week of negotiations, during which Mr Casey and General Catroux conferred together in Cairo and severally studied the Lebanese situation in Beirut, the French National Committee decided to retrieve their original blunder. The President of the Republic was released and reinstated, the Ministers released. At the same time, the French National Committee undertook to restore normal constitutional life and to negotiate with the Lebanese over their country's independent status. At first it seemed that the French would insist on a new agreement. However, the former Prime Minister, Raïd es Solh, and his colleagues, once released, returned to their offices and the Lebanese crowds invaded the Chamber to reinstate the deputies. Under these conditions, the French wisely decided to accept the old Ministry, which is in any case the rightful constitutional Government of Lebanon. Throughout the crisis, the British authorities on the spot, including Sir Edward Spears in Beirut, Mr Casey in Cairo, pressed for the total reversal of the French *coup d'état*, and there is no doubt that without this uncompromising attitude the French National Committee would have allowed the crisis to develop. Unhappily the French have taken great exception to the British attitude, and the comments of the Algiers and Brazzaville radios have been hostile in the extreme. On the other hand, a very annoying tendency to pompous self-righteousness has been apparent in sections of the British press. This psychological worsening of Anglo-French relations is most unfortunate, for it will need all the tact and patience of both sides to work out the more complex and more delicate question of France's future relations with the Lebanese Republic.

* * *

A Protective System

The origin of the recent crisis in Lebanon was, it appears, the refusal of the French to terminate the mandate, unless the Lebanese entered into special treaty relations with France, and the contrary refusal of the Lebanese to negotiate a treaty until France's mandate was officially withdrawn, so that the negotiations could take place between equally sovereign Powers. This complete clash of outlook reflects a deeper one—the desire of the Lebanese to have no special relationships with France, and the determination of the French leaders to preserve a special area of French influence in the Levant. This opposition makes the situation very delicate for the British, for they enjoy with Egypt and Iraq precisely the kind of special relationship for which France is looking; in Palestine they have yet to achieve it. The principal difference is that in the case of both Iraq and Egypt getting rid of the British defence system is not a major issue in politics. In Lebanon, getting rid of the French definitely is. And failure to satisfy the Lebanese demands, to which the British are now committed, would compromise the British task in Palestine.

One solution, which the French would hardly accept, would be a French withdrawal from the Levant to concentrate on North Africa. Another, which may prove practicable, provided that French—and British—statesmanship is equal to the task, would be the creation of a joint British, French and American system of garrisoning in the Middle East which would be the defensive and strategic underpinning of the movement towards Arab union. A concerted military guarantee given by the peace-loving Great Powers might enable France to end the political impasse into which it has fallen and at the same time provide the Arab states with a protective system untainted by imperialism.

* * *

State Assets

The Sixteenth Report of the Select Committee on National Expenditure (1942-43 session) explores one of the most interesting byways of war economics—the extent to which the state is acquiring capital assets of permanent value. The Report comments in critical vein on the fact that there is no central collation of information on the subject and no uniformity of practice between the Departments. It is not therefore possible to give more than a few sample facts. But the partial figures that have been collected are large enough to show the dimensions of the subject. They refer to the expenditure of five Departments (the Admiralty and the Ministries of Supply, Aircraft Production, Works and Food) over roughly the first three years of the war. The sums advanced to contractors on contributory schemes for the construction of factories (i.e., where ownership remains with the contractor) amounted to £11,505,000; on non-contributory schemes (where the state is the ultimate owner) the expenditure was £282,082,000; and on factories wholly owned by the state (e.g., Royal Ordnance Factories, agency and shadow factories) the expenditure was £381,500,000. These figures, to repeat, are very partial: they cover only a few Departments and a limited period and are confined to factories. They exclude all movable stores and commodities. Even so, the total is £674 million. According to the Budget White Paper, the total of private net disinvestment in the three years 1940-42 was £395 million. To get a figure expressing what has happened to private capital in these years it would be necessary to add the value of the maintenance and depreciation that has not been carried out. But it may well be that the state's expenditure on acquiring capital assets has actually exceeded the fall in value of privately-owned capital. It does not, of course, follow that the permanent value of these assets will be anything like equal to what they have cost; but they will be far from valueless. It is clearly nearer the truth to say that the war has caused a distortion of the nation's domestic capital resources than to say that it has caused a depletion. Overseas capital assets are, of course, a different matter; there the depletion is all too real.

* * *

Enterprise

When Sir Stafford Cripps spoke to his constituents last week-end on post-war economic policy, he made a gallant bid to lift the argument above the merely doctrinaire and sectional approach which so much mars most present public discussion of the role of the state in national economy. He put the problem in simple logical form. The full productive capacity of the nation, fully used, can provide, as a minimum, a decent standard of living for everybody. A sufficient supply of the goods and services necessary for this standard must be produced and made available; and each family must have, from all sources, sufficient income to buy them.

Controls, as controls, are neither good nor bad. They are good if they are needed to fulfil a purpose; they are bad if they are unnecessary. One of the reasons why the recent interminable wrangling about the goodness or badness of Control (always with a capital C) has darkened both counsel and brows is that the problem is still widely misunderstood. The goal is the utmost and most productive enterprise in the employment of the nation's resources, so that the national wealth, and the share of each in it, may be as big as possible. The function of Government is not to check and oversee everything that goes on—which, however benevolent the motive, would amount to restraining with one hand the enterprise conceded and encouraged with the other, a wasteful, frustrating process. It is rather to free enterprise, untrammelled by all

irrelevant restriction, private as well as public, where private enterprise is appropriate to achieve the ends of society; and where it is not appropriate, that is, in a strictly limited field, to replace it bodily with genuine public enterprise. Control, as such—that is, the negative imposition by one set of persons of prohibitions on the activities of others—should everywhere be reduced to a minimum. The community needs to take its brakes off, not to put new brakes on.

* * *

The Future of Exports

At last week's meeting of the National Union of Manufacturers, serious words about the future of British exports were spoken by both Sir Patrick Hannon and Mr Ralph Assheton, Financial Secretary to the Treasury. The former talked of the "formidable competition" of American manufacturers seeking a leading world position; the latter laid stress on Britain's diminished income from overseas, and the corresponding need to pay for essential imports by increased exporting. Both had good advice to give. Sir Patrick Hannon, asking for "the recognition of mutual obligations" between Britain and the United States, suggested an agreed revision of the American tariff of 1930 and the British Ottawa Agreements. Mr Assheton, referring to the effect of taxation on industrial research and development expressed the wish of the Treasury and Board of Inland Revenue to aid and not to impede efficiency, by which sales abroad stand or fall. Neither speaker made it sufficiently plain that exports, so far from being primarily a means to make employment, have the object of obtaining essential supplies with a smaller use of resources, including labour, than if the supplies were produced at home.

* * *

World Needs

This week, at a Foreign Press Association lunch, Mr Richard Law, Minister of State, had more to say on the subject of exports. Anglo-American commercial competition will be damaging to either or both, if world markets, including their own, are restricted, and world employment and income are kept smaller than may be by impolicy; but if policies of expansion, full employment and freer trade can be made internationally practicable, there will be room and to spare for the productive capacities of both countries in meeting the mutual needs of all nations. The desire of the world to consume is still very far ahead of its power to produce. The problem, nationally as well as internationally, is still to increase the productivity of all kinds of employment—and so, on the one hand, to make supplies more plentiful and more cheap, and, on the other, to make demand more effective.

* * *

Slow Motion in the East

The fighting on the Russian front has brought no decisive advantages to either side in the course of the past week. The German counter-stroke from Zhitomir has grown in intensity; and there can be little doubt now that the German High Command has been aiming at the recapture of Kiev. The position on this sector may become critical for the Russians within the next few days; but so far German successes there have not yet gone beyond the limits of a local and costly advance. To the south of Kiev, the Russians have established a new bridgehead across the Dnieper in front of Cherkassy. This bridgehead, if widened and consolidated in time, might have given the Russians a vantage position for alternative thrusts at the northern flank of the Krivoi Rog salient or at the southern flank of the Kiev salient. The tempo of operation in front of Cherkassy, however, has not apparently been quick enough, so far, for a thrust to be developed soon enough. It does not seem likely that a threat can develop in time to the right flank of the German force which is advancing towards Kiev, and the whole unrelieved brunt of meeting the counter-stroke will probably have to be borne by General Vatutin's troops inside the Kiev salient. To the north of the Pripiet marshes, the encirclement of Gomel has now been almost completed; and the fall of Gomel should now not be delayed for long.

* * *

Debates at Algiers

The Consultative Assembly at Algiers ended its debate on French domestic affairs with a vote of confidence "in the

Government of the French Republic presided over by General de Gaulle." The vote was unanimous, though the Communists expressed reservations about the general conduct of the war. They urged the need for a great French army numbering a million men, instead of 500,000. They also asked the National Committee to organise "national insurrection," a demand which they were not alone in making. But, on the whole, the Assembly has, so far, fully backed the policy pursued by General de Gaulle. The French Socialist leader Jules Moch has said specifically that, during the transition from war to peace, only a Government headed by General de Gaulle will be possible in France. In the Assembly's debate on foreign affairs the hope was expressed that the Allies would recognise the National Committee as the real Government of France—and General de Gaulle claimed outright on Wednesday that the Committee is "the Government of the Third Republic."

* * *

The Ghost of Vichy

At least half a score of versions have been put out to explain the mystery of Marshal Pétain's cancelled broadcasts from Vichy. He is said to have intended to announce either his resignation or his decision to regard himself now as a prisoner of war or, possibly, the cancellation of Laval's appointment as his successor as Chief of State or, finally, his intention to resign his plenary powers in favour of the National Assembly which vested them in the Marshal in June, 1940. This last explanation, if true, would mean in theory the winding up of the National Revolution by its chief and responsible sponsor and a formal return to the Third Republic. Which of the explanations offered is correct it is still impossible to say. But there can be no doubt that the protracted crisis in Vichy has now reached a final stage. The Vichy administration has for some time been in a state of disintegration. Laval's officials are simply not in a position to carry out his orders; and so, in its fourth year, the experiment in strong government ends in impotence to rule. The spirit of resistance has permeated the innermost centres of the administration itself and paralysed its ability to move and to act. The threat of retribution to traitors, constantly repeated from London and Algiers, has acted as a deterrent where patriotic sentiment has been too weak to prevent collaboration. The *maquis* have challenged the police and the *gendarmes*; and the less spectacular, but even more widespread, forms of resistance and sabotage have proved to be beyond control. But the ghost of Vichy will probably continue its illusory existence until Allied landings and French revolt finally exorcise it.

* * *

Second Thoughts on Hereford

The reports of two inquiries which have been published this week show, like the Mosley case, how easily popular emotions can be aroused on an insufficient knowledge of the facts. In the case of the inquiry into the Hereford juvenile court, there was certainly considerable justification, for the strictures pronounced on the magistrates by the Lord Chief Justice and other justices in the Divisional Court might well have been taken as good evidence that all was not well with them. Moreover, popular indignation was roused chiefly by the sentence imposed, rather than by the alleged irregularities of procedure in the conviction. It was with the latter that Lord Justice Goddard's inquiry was concerned. His report (Cmd. 6485; 3d. net) shows that the findings of the Divisional Court were inevitable but were based largely on a clerical error in the magistrate's court. The assistant to the Clerk to the Justices, a young man of 18, had entered the plea of not guilty to all three charges, partly out of some confusion about the amount of malicious damage which was admitted. Lord Justice Goddard found, however, that the boys had pleaded guilty, to all three charges and that the case had proceeded on that footing. When the notice of motion was served on the magistrates in July, six months after the case had been heard, they all declared that the plea on all three charges had been guilty, but, chiefly from a laudable desire not to let down the Court officials, allowed themselves to be overpersuaded in view of the entry in the Court register, which the chairman had signed without noticing the mistake. The mistake was, therefore, persisted in in the magistrates' affidavits placed before the Divisional Court, and, since no notice of motion was served on the prosecutor, there was no affidavit from the police, who would have supported the magistrates in their original conviction about

the pleas. Thus, Lord Justice Goddard found that there was no wrongful conviction, which to the Divisional Court was the most serious matter at stake. With regard to the question of appeal against the birching sentence, Lord Justice Goddard points out that nothing could be worse than for a boy to have a sentence of birching hanging over his head for the fortnight during which an appeal might be lodged. In the Hereford case, the chairman of the magistrates tried to stop the birching as soon as the father's wish to appeal was known, but it was too late. There is no easy solution to this dilemma of carrying out the sentence as soon as possible and yet allowing an appeal—save one, the complete abolition of birching in juvenile courts. In 1938, the Departmental Committee on Corporal Punishment came to the unanimous conclusion that it was not a suitable or effective remedy for young offenders, and justices were reminded of this conclusion in June 1941. Thus it is still permissible to doubt the wisdom of the Hereford magistrates in imposing this particular part of the sentence, though they have been cleared completely of any miscarriage of justice.

* * *

Detention Camps

The second inquiry arose from the manslaughter of Rifleman Clayton at Fort Darland detention barracks. Here there was no question of denying the facts of his death, which very naturally and properly shocked the public profoundly. But from the letters and articles that were published in the press afterwards, it appeared that the public was afraid lest the Fort Darland incident was not isolated and that bad conditions in detention camps were common. The report (Cmd. 6484, 6d. net) of the Committee of Inquiry under Mr Justice Oliver finds, after an investigation extending over five weeks, that at present and for some time past no brutality of the sort indicated is being or has been practised. The Committee visited, without warning, each military prison and detention barracks and the naval detention barracks. They themselves picked at random certain names from among those detained, and the men were then interviewed singly and privately and asked whether they had suffered or seen any ill-treatment or injustice. The Committee also inspected the food; medical accommodation; sleeping, washing and sanitary arrangements; and, in fact, the whole premises. Finally, the men were paraded, and they were told publicly that anyone who wished to complain could do so without victimisation and would be heard in private. The next stage of the Committee's inquiry was in London, where signed statements were asked for from anyone wishing to appear before the Committee, who were later interviewed if their allegations were relevant to the inquiry. It is thus quite clear that the investigation was as thorough and as impartial as it could be, which makes its conclusions the more reassuring. The vast majority of the complaints heard came from recidivists—men who are determined not to serve and would rather spend their lives in prison than do so—neurotics or mental defectives and others who were quite obviously liars.

*

The conclusion of the Committee, it must again be emphasised, does not throw doubt on the Clayton case, and the Committee themselves are less satisfied about conditions at the beginning of the war. Nor are they satisfied that present conditions are perfect. They recommend the establishment of a training school for the Military Provost Staff Corps; a general increase in staff at detention camps, particularly of commissioned officers—abuse, swearing and so on, according to the more reliable reports, were far less common when there were officers about; the provision of sick quarters where they do not now exist; the improvement of night sanitary arrangements; and better diet tins. The great difficulty, as the Committee realised, is to make conditions in detention camps decent but still far less attractive than service conditions. Moreover, the staffing difficulty is acute, as those who are best qualified are generally those who are most wanted as NCO's or officers in the ordinary combatant units. And it is a thankless job to ask anyone to volunteer for. But, even though some of the Committee's recommendations may be difficult to fulfil at this stage, its report is a welcome proof that the conditions disclosed by the Clayton case are not general in spite of the undoubted difficulties in the path of those who run the camps.

Advisory Councils

One of the first and immediate results of the Moscow Conference is a crop of new appointments. Sir William Strang is to serve on the European Advisory Council with the rank of Ambassador. Russia's representative is M. Gusev, the Soviet Ambassador to Britain. The American appointment has not yet been announced. The Italian Advisory Council is to have Mr Harold Macmillan as British High Commissioner, Mr Murphy as American representative and M. Vyshinsky, the Soviet Deputy Commissar for Foreign Affairs, will represent Russia. The French appointment has still to be announced. Mr Macmillan's appointment, which he combines with that of British Resident Minister at Allied Force Headquarters, creates a vacancy in British representation with the French. Mr Duff Cooper has been appointed, with the rank of Ambassador, to work with the French National Committee. His American colleague is Mr Edwin Wilson, his Russian colleague, M. Bogomolov. These appointments are significant, for they seem to point to a difference in emphasis on the status of the two Advisory Councils. Immediately after the Moscow Conference, it was widely believed that the European Council would continue the work begun at Moscow, that in consequence the delegates would be chosen from men of Ministerial rank. For example, there were reports that M. Vyshinsky would come to London. In the event, the representatives on the London Council are at the ambassadorial level, and it is difficult to believe that any really important questions will be settled there. Indeed, Mr Cordell Hull went out of his way in his speech to Congress to say that the Council would in no way supersede normal diplomatic channels. The Italian Council, which, in theory at least, deals with a far narrower, though much more specific, field, has a Soviet Vice-Commissar and a British High Commissioner among its members. It is possible that the playing down of the European Council is designed to allay the suspicion of the European nations that the Big Three intend to settle Europe's future over their heads. The ambassadorial character of the Council will make it easier to co-opt other nations and will probably make them less eager to be co-opted. The fact remains that the chief reason for not deploring the lack of concrete agreement at Moscow—the belief that the Advisory Council would carry on the work—has proved to be unsound. It is to be hoped that, if the general European Council is to have less scope than was at first imagined, other meetings and other Commissions of the Italian type will be quickly substituted to fill the gap.

* * *

The Gilbert Islands

Admiral Nimitz announces that the capture of the Gilbert Islands has been completed, after a short and remarkably successful American combined operation. As there are airfields on the islands and some harbourage for shipping, their recapture very greatly extends the effective range of Allied action in the Pacific. Allied units operating from these bases well out in the Pacific must greatly increase the strain on Japan's naval position, at a time when ships are the enemy's chief bottleneck. Ultimately, the new positions will constitute a threat to the big Japanese base at Truk and to Japanese positions in their mandated areas, the Caroline and Marshall Islands. More immediately, it may be possible to recapture the phosphate island of Nauru. But the most important point is probably the demonstration given by this operation of the Allies' growing naval strength in the Pacific. The sea resources weakens its hold from one end to the other of its precarious area of co-prosperity. Tokyo radio is speaking rather nervously of the "coming battle of the fleets" and Admiral Nimitz believes that there will be "action in the Pacific soon." An incidental result of the successful landing may be to spike the guns of an incipient offensive by the Pacific-Firsters. Representative Maas recently fired the first broadside in a strong attack on "the diversion of American forces" to the war in Europe, embellished with strong criticism of the British and of Lord Louis Mountbatten's appointment. The Gilbert Islands operation proves that, however much is being "diverted" to Europe, Admiral Nimitz still has a comfortable margin in hand.

* * *

Indirect Speech

Time was when *Times* leaders were regarded abroad as statements of the Government's foreign policy. This was

never so, and in any case times, and *The Times*, have changed; last week's *Times* articles on foreign policy, for instance, bore the cachet of Printing House Square's own particular professor, plain for anyone anywhere to see. It is rather in Soviet Russia, freed from the old subterfuges of secret diplomacy, that newspaper articles are brought in to ventilate official policy. With differing degrees of authority, *Pravda*, *Izvestia*, and *War and the Working Classes* can be read to find out what Russian policy is coming to be. On Thursday last week the BBC gave a big part of its important 9 o'clock news to *Izvestia*'s indignant denial of suggestions made by the *New Statesman* and *The Economist* that the Moscow Agreement on Austria might imply, possibly, some kind of approval of some kind of federation in Central Europe. It is, of course, very helpful to have this conspicuous, if somewhat indirect, statement of Soviet views. But is it really the BBC's job, with no news minutes to spare, to assist this roundabout method of explaining official policy? And is it helpful, to either party, for Russian journalists always to sense the worst motives in the speculations of their most disinterested British colleagues?

Shorter Notes

The evacuation of Samos was officially announced on November 23rd. All British, Greek, and some of the Italian troops were successfully taken off, together with a large number of the civilian population. Mr Attlee's statement in Parliament that the Aegean islands were lost "by only a small margin" will hardly satisfy fears that the operations there were badly handled.

*

With Mr Macmillan, Mr Murphy and Mr Vyshinsky on the Italian Council, and Mr Harold Caccia and Air Commodore Lord Stansgate appointed to represent Britain, and Dr Henry Grady and Mr Sam Reber to represent the United States, on the Italian Control Commission, it looks as though Amgot is being drowned in the flood of new officials. It may, however, be somewhat malicious to suggest, as one wit has done, that the present stage is that of *Amgötterdämmerung*, or the Twilight of the Rodds.

AMERICAN SURVEY

War Plants in the Far West

(From a Correspondent in Colorado)

WITH the index of industrial production currently at 200 per cent of the 1935-39 average, and well above the previous peak year of 1929, the average American business man takes pride in the present productive achievement, and has confidence in the potentialities for high levels of employment in the post-war decades. Yet there is evident fear of let-down and economic maladjustment in the months immediately following the Armistice. These "post-war jitters" may be encountered in any part of the country, but they naturally have their most direct impact upon those areas which have experienced a new and almost overnight industrialisation under the spur of war requirements.

On the plains of the Central West, as in Kansas, Oklahoma and Texas, what were hamlets in 1940 are aircraft and munitions centres in 1943; what were cattle ranches have become the sites of modern plants for the wartime production of high octane gas. The search for strategic minerals in the Rocky Mountain states reached into remote places which are now witnessing industrial activity for the first time. To supply the new war facilities of the West has required a mass migration of labour.

Out of a total of some sixteen billions of dollars of Government war contracts for industrial plant facilities to the middle of 1943, approximately one-third went to the states west of the Mississippi. These same states have but 23 per cent of the national population, and have heretofore been regarded as primarily the agricultural and mining area of the nation.

For these Western communities the post-war problem obviously differs from that of the Eastern industrial centres, where the same basic plant and organisation will be reconverted to what was essentially their pre-war production pattern. The Far Western communities, especially those farthest from the coast, have had no such pre-war history of industrialisation to continue where they left off. They must indeed begin from the beginning, to discover a post-war market and to retool for the change from war material to peacetime products. In industries like shipbuilding and aircraft, where there is little prospect of utilising even 20 per cent of present capacity following the war, political pressure is foreseen to continue wartime contracts of doubtful post-war usefulness, pending the emergence of other employment for the labour forces. In any event, it is to be expected that many of the expanded Western communities, dreaming new dreams of industrial greatness, will have a rude awakening when the return to peacetime competitive market conditions places their high-cost, out-of-the-way facilities in the sub-marginal class.

But these communities will not lightly yield their new-found industrial activity to the decisions of a competitive

market. The new plant facilities have been constructed with Government funds. Private steel, mining, shipbuilding and aircraft firms have operated the war plants under leases of the Defence Plant Corporation, an administrative arm of the Reconstruction Finance Corporation. In a few instances, notably that of the \$200 million steel operation near Provo, Utah, the Defence Plant Corporation not only owns but operates the plant, with the US Steel Corporation merely lending its management personnel for employment on the Government's pay-roll. Inasmuch as these Government-owned facilities came into being through Congressional appropriations, the general policy for disposing of them likewise lies within the discretion of Congress.

From the standpoint of the established private corporations in the heavy industries, the publicly-sponsored scheme for keeping the new facilities active after the war presents a potential menace to private industrial investment. It is true that the war contracts give to the firms which are now operating these facilities, as lessees of the Government, the first option for the acquisition of the war plants. But the exercise of these options involves the payment of the cost of construction, after allowance for depreciation and for rentals paid in. Such an outlay would in general be prohibitive, in view of the costs of conversion to peacetime production and competition with more suitably situated opera-

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

tors. The Government, on the contrary, could operate these plants itself or through local committees, without attempting to meet either interest on the investment or cost of depreciation.

Even to those who do not have a direct interest in the parent corporations of the heavy industries, the forced utilisation of excess plant facilities in these newly-industrialised areas is a matter of deep concern. The time will come when the subsidised facilities have substantially depreciated, and the questions of reinvestment and the prospect of profits likewise have to be faced. It is argued that the day of reckoning, postponed by the initial subsidy, may well prove more disastrous than a timely demobilisation of these facilities and an early conversion of the labour force to more stable lines of peacetime employment.

This line of pessimism, orthodox and logical as it may be, is by no means universally shared, however. The local Western communities, along with their Congressional representatives, are building their fences with economic argument as well as legislative promises. They hold the time to be ripe for a redistribution of the American labour supply from congested Eastern centres to the wide open spaces of the West. To begin with, such a redistribution is favoured as providing a more favourable environment for the workers' families. Expanded hydro-electric facilities are cited, which make available sufficient power to operate new industry in many parts of the Far West. The vast area's resources of coal, shale oil and industrial minerals are still awaiting exploitation. More generally, there is a disposition on the part of the inland communities of the Far West to challenge the traditional handicaps which have been imposed upon the Western states by the business interests of the East. A long-standing bone of contention, for example, has been the structure of railroad freight rates. (To meet water competition, railroad freight rates between the Atlantic and the Pacific Coast has been lower than those between the coastal and inland communities.) An additional handicap has been the use of Eastern basing points for commodity price determination, as in the case of the "Pittsburgh-plus" formula for pricing steel.

A Congressional committee has recently been formed for the decentralisation of industry. Its prime movers are representatives of the Far Western states. Early in October they gave notice to the President and to their Congressional colleagues of their determination to foster a redistribution of the national industrial plant as so to spread it across the more sparsely populated areas of the country.

Apart from the fact that workers and their families will naturally strive to retain their wartime employment or its equivalent, a powerful economic incentive to the dreams of post-war industrialisation of the Western states lies in the prospect of new high levels of consumer demand after the war. Individual deposits in savings banks, together with currency held by individuals, are estimated at \$31 billion; in addition, individuals hold an aggregate of approximately \$19,500 million in war bonds readily convertible to cash. The pent-up demand for durable goods not now available, backed by this tremendous purchasing power, may create a sub-marginal place within the market for plant facilities now regarded as sub-marginal.

Obviously, with the war still to be fought to a finish, there are many unknowns yet to be resolved. The making of decision requires knowledge of the inventory position, military as well as civilian, at the end of the war; of the financial arrangements that can be made through Lend-Lease or other services for the disposal of war surpluses, and possibly for the transfer of plant facilities and machinery to countries that may have urgent need for them.

American Notes

Favourite Sons

The great political question of the next few months obviously is whether Mr Roosevelt will choose—or will be compelled, in order to save his party and his policies—to assume the Democratic nomination. But for the moment this is a relatively barren field for speculation, as it is so greatly to the President's interest to withhold any indication of his intentions, both because it maintains what hold he has over Congress, and because it forces the Republicans to work in the dark. Campaign preliminaries on the Republican side are a different matter. It is common knowledge that a formidable section of the party puts the aim of stopping Mr Willkie only second to that of defeating

the President. No doubt if the Republicans seriously anticipated defeat, this group would flock to Mr Willkie's banner in order to bury him, once for all, under the stigma of a double defeat. But after the recent elections there can be few Republicans who do not hope for a triumphal return to power next November. If Mr Willkie is to be cut out, it must be done in the party convention. Under these conditions, the reported move to sap his strength by encouraging the candidacy of a great number of "favourite sons" in the state primaries is a not unexpected device and one almost certain to be tried. Mr Willkie has made it clear that he believes this is what the opposition to him is attempting, and has warned that it might lead to a disaster for the party. The theory is that, with the state delegations divided into many factions, a deadlock would ensue which could only be resolved by the last moment production of a dark horse. Governor Dewey might come into this otherwise unsuitable classification because of his repeated insistence that he is not available. The real danger to Mr Willkie lies in the candidacy not of Conservatives like Governor Bricker, but of those representatives of Republican Liberalism such as Governor Stassen and Governor Warren, whose supporters would otherwise vote for Mr Willkie. Indeed, with a strong candidate like Mr Dewey at hand, it is hard to believe that the Conservative wing of the party would entrust their fortunes to anyone as colourless as Mr Bricker.

Freedom to be Fascist

Senator Nye, in a speech at Chicago, has roundly upheld the freedom to be Fascist. At a meeting of the Republican Revival Committee he declared that every nation has a right to pick Fascism after the war if it wants it, and called for the resurrection of the America First Movement. In the same address the Senator condemned American commitments abroad, although he granted that the nations might combine temporarily to oppose aggression. This is something of a concession from an isolationist so implacable that, when the bombing of Pearl Harbour was announced, he demanded, "How do I know this isn't a British propaganda trick?" The Republican Revival Committee which Senator Nye was addressing appears to be a creation of Colonel McCormick. So far the McCormick line has been distinguished mainly by what he is agin. He has denounced Mr Willkie and even Governor Dewey as traitors to Americanism; he denounces President Roosevelt and the British as regularly and effortlessly as breathing. The Presidential candidate upon whom the Colonel and his little group of reactionaries have saddled themselves like so many old men of the sea is General MacArthur. Senator Nye's statement provides the first hint of a constructive policy. No doubt it expresses the views of some of the rabidly isolationist and nationalist splinters still operating undercover. But as a way of breathing new life into the Republican party its success is more doubtful, particularly with those who fondly imagined they were fighting the Axis to establish four quite different freedoms.

Inflation Front

The House of Representatives this week passed legislation prohibiting food and agricultural subsidies by a vote of 278 to 118. The Senate is expected to approve the Bill by a similar majority. Despite the fact that the Bill carrying the prohibition is the appropriation for the Commodity Corporation, President Roosevelt has made it clear that he will not allow this to stand in the way of a veto. The final test will come with the attempt to rally a two-thirds majority to override the veto. It has happened before that Congressmen who have been willing and anxious to record their loyalty to their constituents' interests on a preliminary vote have taken a more prudent line when it was a question of overriding the President and assuming responsibility for policy. Press and radio comment has shown a rising tide of hostility to the anti-subsidy bloc, and there have been scathing reports of the huge inflation lobby assembled in Washington; but Congress, no doubt under heavy pressure from its farm constituents, has so far been unimpressed. The main moving force comes from the farm bloc, whose appetite is whetted rather than blunted by solemn warnings of the catastrophic rise in prices that would follow the abolition of subsidies. But the opposition is wider than just the farm bloc. As Raymond

Clapper has pointed out, the fight against subsidies is in reality a fight against price control as a whole; and no doubt it is believed that other controls would follow the Office of Price Administration down the drain. The Office of War Information has published statistics of the purchasing power pressing against the fragile anti-inflation barriers. In the second quarter of 1943 there was an addition of \$2.6 billion to the total of unspent and unemployed money, against an addition of \$1.7 billion in the second quarter of 1942. These figures are found by subtracting spending, taxes and investment for the quarter from total income for the period. The comparative figures are in \$ billions:—

	Second Quarter	
	1942	1943
Total income.....	27.4	34.5
Total personal taxes.....	1.5	3.5
Spending.....	19.8	22.3
Investment.....	4.4	6.1
Total Disposal.....	25.7	31.9
Quarterly Addition to Inflationary Pressure.....	1.7	2.6

They provide an enlightening background to the insistence of Congress that the country cannot carry a heavier tax burden. There are other ominous developments. New demands for wage increases frankly abandon even lip-service to the little steel formula. The Truman Committee has adopted a resolution approving the 8 cent an hour increase for non-operating railway employees which was turned down by the Stabilisation Director. If, as seems likely, the resolution is passed by Congress, it will strike a heavy blow at the already shaken authority of Judge Vinson and the War Labour Board, as well as the whole of the Administration's anti-inflation programme.

The California Japanese

The first real disturbances in connection with the segregation of disloyal Japanese took place at Tule Lake, in Northern California, early in November. A statement by Dr Myer, Director of the War Relocation Authority, suggests that the events themselves were less serious than exaggerated accounts in the American press have led readers to suppose. The Tule Lake camp is only one of several relocation centres, but it was the one chosen for segregating Japanese who for one reason or other, such as refusal to forswear allegiance to Japan, or bad records, were found unsuitable for release or more liberal detention. Apparently there were about 17,000 persons of Japanese birth or ancestry in the camp at the beginning of November. The disturbances appear to have been organised by a small number of those transferred from other centres, and consisted first of refusal to continue harvesting crops on the farm attached to the centre, of the submission of certain demands including the resignation of the Director, and finally of several sporadic attacks on the centre's personnel and property in which two men were injured and a trifling amount of material damage was done. At this point the troops guarding the boundaries of the camp were called in and took full control. Up to now the censorship from authorities have prevented any hint of the story from being cabled abroad, but it is plain from Dr Myer's statement that the newspapers have exaggerated the seriousness of the outbreak, have demanded drastic retaliatory action, and have accused the Relocation Authority of negligence in protecting the centre's staff and property. In consequence Dr Myer took pains to point out that many of the evacuees were innocent of any part in the disturbances; that many are children, and that others are there, not for disloyalty, but for family reasons; and that, finally, distorted accounts have already been used for Japanese propaganda purposes and may be used to justify retaliation against Americans in Japanese hands. Up to the present, the treatment of the Japanese (which was described in the "American Survey" of May 8, 1943), has been remarkably sensible and efficient. It will be unfortunate if at this late date there is a popular stampede away from a policy which has, for war-time, been singularly fair and successful.

Shorter Notes

Figures on the export of food under Lend-Lease have been made public from two sources this week. The Foreign Economic Administration has released figures on individual foods exported in the first nine months of 1943, by million pounds, in per cent of total supply, and reduced to "ounces

per week per US civilian." At the same time, Mr Hendrickson, of the War Food Administration, has announced that in the twelve months ending September 30, 1944, the United States will ship abroad 11 per cent of its estimated food supply, divided 4 per cent to Britain, 3½ per cent to Russia, and 3½ per cent to the other United Nations and the liberated areas. Mr Hendrickson vigorously defended the Lend-Lease exports and the policy of the Army overseas in having on hand or in transit a 270-day supply of food.

Hardships of Total War.—The supply of whisky, domestic and imported, is reaching the vanishing point, at least to the naked, or above-the-counter, eye. OPA investigators trying to check on prices have found no whisky to be priced, and ordinary customers have had to learn the painful technique of extracting under-the-counter stocks from wary dealers. A whisky company which decided to pay its dividend in kind found its securities soaring overnight. A Senate inquiry has been instituted to discover what stocks are available, whether they are being manipulated to increase profits, and to what extent bootlegging is being revived.

Although the War Labour Board has accepted the main outlines of the Ickes-Lewis coal contract, discussions continue about certain details, and there is still some confusion about methods of calculating wages. One concession by the miners which deserves more attention than it has received is the increase of the basic work week from 35 to 40 hours. While this is of slight importance during the war, it involves the abandonment of an important bargaining position for the post-war period. The mines of 43 coal companies have been returned to the operators, because they did not participate in the recent strike action, and therefore suffered no interruptions to "productive efficiency." These constitute, however, only a small proportion of the total. The return of the rest of the mines is contingent, according to Mr Ickes, upon the operators accepting the terms of the contract agreed to between the union and the Government.

NEWS of WHITE HORSE

No. 3

Providing for to-morrow as well as to-day

Suppose that good fortune has brought you a bottle of White Horse, as sometimes it may, even in this fifth year of war.

You pour out a modest measure of this genial spirit into your glass. What is your immediate reaction? First you recognise the delicate and distinctive aroma of the White Horse you have known in times of peace. Then, you raise the glass to your lips and at once your palate confirms your first impressions—that White Horse Whisky was never better than it is today.

This is quite true, and here is the reason. The White Horse Whisky in your glass is a whisky of the past and was growing old when this war was young. Stocks laid down long ago, matured and maturing, provide the White Horse supplies for tomorrow as well as today. Whisky as great as the White Horse you knew in time of peace, whisky which will always be 'fine as a fine liqueur.'

The present system of regulated supply is an essential provision to ensure for you the enjoyment of really good whisky both today, and in the years to come.

MAXIMUM PRICES: Bottles 25/9, Half Bottles 13/6.

THE WORLD OVERSEAS

The Norwegian Health Services

(By a Norwegian Correspondent)

THE health services in Norway, as they existed before the German occupation, have been built up gradually over a period of nearly a hundred years, overcoming many obstacles and obstruction and adapting themselves to the changes in medical knowledge and practice. They are financed out of general taxation and out of a special health tax, which is a premium paid to the Sickness Insurance Organisation. Thus there are two separate administrative systems, the public health administration and the sickness insurance administration, but both are controlled by the state.

Through the public health administration, the state is responsible for all the important factors underlying public health—hygiene and sanitation, and all other matters connected with preventive medicine, and the work of doctors, dentists, nurses, midwives, hospitals and so on. But, in spite of this central control, a considerable amount of local independence is allowed, both for the local health authority and for the individual hospital and doctor. The administrative set up is headed by the Ministry of Social Welfare, which is responsible for the financial, administrative and legislative aspects of the public health services. Then there is a Directorate for Public Health, which has a certain degree of independence of the Ministry, but which is linked to it through the Director-General of Public Health, who is in charge of the medical work of the Ministry.

Responsible to him locally is the local public health officer. Norway is divided into 380 districts, each with a local public health officer who is paid by the state for his public health work. He presides over the local board of health, which is elected by the county council and is the executive organ for carrying out local public health policy. Its tasks are varied. They include the control of tuberculosis and other infectious diseases and the supervision of the social security system for the care of the crippled, the blind, mental defectives and orphans. The board also supervises the conditions under which various foods are produced, stored, sold and distributed, in particular, milk and dairy products, meat, margarine and fish. It is responsible, too, for hygienic conditions in shops, hotels, restaurants, canteens, theatres, schools, churches, camps, log cabins for forestry workers, fishermen's accommodation and so on. Since there are 762 local authorities in Norway (695 rural and 67 urban) and 380 local public health officers, each health district covers an average of two local authorities, with a maximum of five and a minimum of one authority per health district.

Only in the relatively few larger cities are the public health officers employed full time on their public health work. In the rural districts, the salary paid by the state accounts for only part of their income. The rest is earned through private practice—either general or specialist practice—within their own district. In several sparsely populated districts, the public health officer is the only doctor, but there is no

monopoly attached to his private work. Any number of other doctors may settle in his district and practise there if they can make a livelihood.

The public health officers account for only about 15 per cent of the total number of doctors in Norway, but they are clearly the key men in preventive medicine and public health in all their aspects. Moreover, the combination of public health work and private practice, which has been of particular use in the sparsely populated rural districts, has prevented them from turning into office bureaucrats. On the other hand, it must be admitted that it is difficult to give the doctor the training in public health work and general medicine necessary for him to carry on both jobs adequately. Norway has met the problem by the holding of intensive refresher courses in public health, on the one hand, and by a good hospital and specialist service on the other. But it is not claimed that this is as yet a fully satisfactory solution.

How Doctors Are Paid

The medical profession enjoys on the whole a high social status and a good income. If a doctor is a public health officer, he derives his income, as has been said, partly from the state and partly from his private practice. If he is on a hospital staff or does research work, he is paid a fixed salary. But the two groups which comprise the majority of Norwegian doctors—general practitioners and specialists—derive the largest part of their incomes from the sickness insurance system. Unlike the panel system in Great Britain, the doctor is paid according to the amount of work he does. The consultation fee is the basis of his income, but to that is added a fixed tariff for special examinations, say, of the blood or the sputum, and so on. There is no question, therefore, of doctors maintaining two standards of treatment—one for the insured patient and one for the fee-paying patient—for in most cases the payments he receives would be the same. There is an incentive, too, for a doctor to work hard and also to specialise, because the insured have free choice of doctor and there is no limit to the number of patients that a doctor can take from the sickness insurance organisation, and because the fees paid to the specialists are higher than those paid to G.P.s. In most cases, the doctor sends his bill to the sickness insurance organisation, which pays him direct at intervals. In some of the big towns, agreement has not been reached between the doctors' representatives and the sickness insurance on the fees that can be charged in cases where the patient pays the doctor himself. In these circumstances, the patient, if he is insured, sends the receipt to the sickness insurance body, which refunds him most, but not all, of his expenses.

Compulsory sickness insurance was introduced in Norway thirty-two years ago, and, as in most other countries, was resisted to begin with. But there soon sprang from it beneficial consequences which probably even its founders had not foreseen. Not only were the health services made available to people irrespective of their ability to pay, but doctors, hospitals and so on were given a basic income, which enabled doctors to settle in places where they previously could not have made a livelihood—before the war there was roughly one doctor per 1,200 of the population—encouraged the building of new hospitals—there was a hospital bed per 115 of the population—and led to a generally higher standard of treatment. The result is that resistance was gradually overcome and the system was expanded to include larger groups of the population. Voluntary membership was introduced; in 1935 fishermen were included; and in the following year members of the mercantile marine. As a result, by 1940 about two-thirds of the total population in Norway belonged to the sickness insurance system, and, shortly before the war, a bill had been drafted to cover all Nor-

wegian citizens, which would probably have secured a clear majority in the Storting.

What the Patient Gets

An insured person and his family have the right, within certain limits, to treatment at home and in hospital; physiotherapy; tooth extraction and other dental treatment where it is a necessary part of the treatment of disease; disability allowances; and financial help in the case of childbirth or a funeral. Fishermen and others who are their own employers do not get disability allowances. Where the distance from patient to doctor or hospital is long, transport expenses are covered. Some diseases are not covered by the sickness insurance system: for instance, expenses connected with epidemic diseases, tuberculosis and insanity are covered by the state or the local authority, and industrial accidents are covered under workmen's compensation. There is also special legislation regarding the support of the crippled, the blind, the old, and mental defectives. About 80 per cent of the beds in hospitals and other institutions are controlled by the state or the local authority, a doctor is in charge of the administration. In the hospitals there is only one standard of treatment and nursing care, and the comparatively large number of private rooms are allotted according to medical need and not according to ability to pay. There are no non-paying patients. The patient is paid for from the sickness insurance, out of his own pocket, or under the poor law regulations.

The sickness insurance organisations obtain their income through a special sickness premium, which must cover the total expenses every year without any profit. Compulsory members are divided into six income groups and pay in proportion to their income. The member himself pays six-tenths of the total premium, the state two-tenths, and the local authority and the employer one-tenth each. Voluntary members pay seven-tenths themselves, the state two-tenths and the authority one-tenth. The sickness insurance is administered by local bodies, of which there is one in each authority. A board of five is elected by the county council and functions for three years. A salaried manager,

or sometimes a larger staff, is responsible for the day-to-day business. His appointment is proposed by the board, and approved by the central administrative office for the whole insurance system in the Ministry of Social Welfare. Thus, in the Ministry is centralised the ultimate control of the administration of both public health and sickness insurance, but enough has been said to show that there is considerable scope for local and individual initiative. In Norway, it has been possible to combine virtually universal compulsory health insurance with freedom in a patient's choice of doctor and freedom for a doctor to practise where he likes.

The French Maquis

[BY A CORRESPONDENT]

ALL reports from France point to unrest and growing chaos, with which the Vichy Administration has so far been unable to cope. In the fourth year of occupation the resistance movement is rapidly growing, and tends to take on more violent forms. Laval's Government appears paralysed.

The centres of most active resistance are the *maquis*, the name given to the strong-points of the French partisans in the mountains and forests of the Haute Savoie and of other provinces. The *maquillards* are organised in small military detachments, mostly under the command of regular officers, the rank and file consists mainly of young Frenchmen who have managed to evade the German *relève* and Vichy's Labour Service. The number of the *maquillards* is now said to be several hundred thousand. The commanders of these partisan groups are, of course, aware that their forces are not sufficient to undertake large-scale operations against the occupying army. The *maquis* serves essentially as a refuge for hunted French youths. There have been minor operations and sorties, and much sabotage of communications, which in France has perhaps become more important than industrial sabotage.

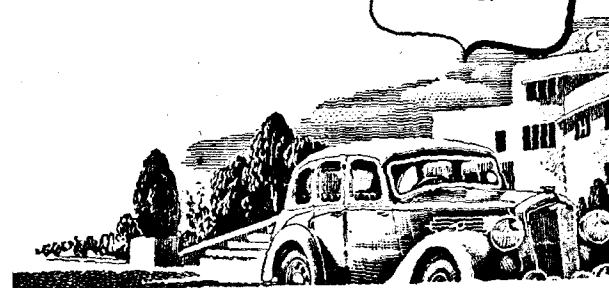
NUFFIELD

a name you can trust

THAT kind of thorough workmanship which is so characteristic of the British way of doing things, is something the world cannot do without.

There'll always be Nuffield cars and wide confidence in that name.

MORRIS
WOLSELEY
RILEY
M.G.



An announcement by THE NUFFIELD ORGANIZATION
CORNERSTONE OF BRITAIN'S INDUSTRIAL STRUCTURE

"When
your
tobacco
smokes hot—

take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100th YEAR

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.

Partisans and Criminals

The great problem facing the *maquis* is the provision of food and munitions. Of necessity, they have had to resort to food requisitioning in the countryside. This may well have antagonised part of the rural population, which now has to reckon with three varieties of requisitioning: by the occupying forces; by the Vichy police; and by the partisans. Even so, the partisans do, on the whole, enjoy the support of the peasants. But their position has been gravely complicated by the emergence of bogus *maquis*—that is, of criminal bands who exploit the prevailing confusion for their own benefit; and recent reports have frequently spoken of fights between real and bogus bands. Crime has lately increased to a frightening extent. And it is one of the tragic features of French life now that in the underground the young French patriot inevitably runs into the ordinary gangster who wages there his own "war" against authority.

Even so, the *maquis* have become a symbol of national resistance. The great collaborationist dailies devote their columns to discrediting them and destroying their patriotic aureole. The *maquis* have served as an important drain on the depleted labour reserves of France. They have to a large extent frustrated the conscription of labour for Germany. On October 16th Laval signed a new agreement with Sauckel under which the compulsory transfer of labour to Germany has been suspended for the rest of the present year; and Laval's Minister of Production has made several public appeals to those who have evaded the labour conscription, asking them to return home and take work in French industrial undertakings. To what an extent the mass evasion of conscription has upset French industrial life can perhaps be deduced from the Minister's letter to the Committee of the Mining Industry:

I will give you the assurance that the men of the youngest class who work in the mines will be exempted from going to Germany, and will even be freed from any obligation to the Ministry of Labour. They can be sure that they will not be directed elsewhere. The same regulations apply to those who take up work in lead, zinc, gold, sulphur and kaolin mines. . . . The same also applies to . . . metallurgy, building, transport and agriculture. All such undertakings will have a poster put on the doors bearing the signatures of the German and French authorities.

The assurances of the Minister of Production have apparently not produced the desired effect. The men of the *maquis* have reason to suspect a trap; and other inducements, such as the latest increase in miners' wages, have also failed.

The position of the *maquis* has become very difficult with the approach of winter. A partial demobilisation of the groups now seems to be in progress. But members are being advised to disappear into the countryside, if necessary, and not to return to industry, where they might more easily be trapped and transferred to Germany.

Rough Politics

The political profiles of the *maquillards*, as they emerge from various French and neutral descriptions, deserve some attention. The *maquis* has become the first school of struggle—and of political thinking—for the youngest French generation. It is a hard and rough school. In it the young Frenchman steels his will-power and learns discipline. In constant danger, he has to look for his own and his comrade's food, and to get it by force if need be. He has to be on guard against traitors, *agents provocateurs* and bandits. Hatred for the invader and for the regime of capitulation and collaboration are essential traits of the *maquillard*.

But the *maquis* is also a lonely outpost, from which the wider horizons of the war cannot easily be seen. The partisan may feel himself humiliated by the enemy and the collaborators, as well as abandoned by the Allies. Out

of this may grow a self-centred feeling of nationalism coupled with some xenophobia. Nor can the *maquis* be a school of political democracy for those who are likely to play the most active rôle in post-war France. And it is perhaps in the minds of that ardent and courageous youth, so early uprooted and forced into a bitter struggle for bare survival, that the *mystique* of the Leader has struck its deepest roots. Will post-war France be able to give to its youth that democratic education which the heroic *maquis* cannot provide?

Switzerland's Foreign Trade

[FROM OUR GENEVA CORRESPONDENT]

October 28th

SWISS foreign trade returns are marked by a general decline in volume; the volume of both imports and exports this year is about half of that shown in 1939. The value of trade, on the other hand, has increased compared with pre-war averages; it is calculated that, since 1938, the average price of imported goods has increased by 125 per cent, while that of exported goods has risen by nearly 40 per cent.

During the first nine months of 1943, imports totalled 3,204 million francs, against 3,301 millions in 1942, while exports aggregated 1,151 millions, against 1,106 millions in 1942. There has been a drop both in imports and exports since last September, when Switzerland's outlet through Italy was cut off. The only trade routes now left open are through France and Spain to Portugal, with a very reduced train service, and through Austria eastward. The occupation of Italy is likely to diminish commercial exchanges, which were already difficult, still further. This, together with the freezing of Swiss funds in the United States and of American ones here, is causing much anxiety in the watchmaking industry, which had hitherto succeeded in partly maintaining its exports to overseas countries, and a consequent rise in unemployment in that industry is expected.

Though exports are far below the average, Swiss industry time in order to build up reserves in anticipation of a industry. The fact is that many factories are working full time in order to build up reserves in anticipation of a much hoped for speedy reopening of trade routes. But the situation of industry as a whole is not promising owing to the ever-increasing shortage of all raw materials.

Switzerland has concluded new trade treaties, or extended the scope of existing ones, with Spain, Portugal, Hungary and Bulgaria, and the question of payments by means of the clearing system has, for the present, been satisfactorily settled. In spite of long and arduous negotiations, it has not been possible to renew with Germany the trade agreement which came to an end last January. Recently, a provisional arrangement was arrived at which mainly concerns payments to Switzerland and the progressive wiping out of the German arrears that had lately accumulated. But exchanges between the two countries are very much reduced, though Germany has undertaken to make good as far as possible the deficiency in the coal deliveries it was to have made to Switzerland. On the other hand, Switzerland has further reduced the small quantities of agricultural products formerly sent to Germany.

Books Received

Taxing to Prevent Inflation. By C. Shoup, M. Friedman and R. P. Mack. (London) H. Milford. 236 pages. 18s. 6d. net.

French Mercantilism, 1683-1700. By C. W. Cole. (London) H. Milford. 354 pages. 28s. net.

A Thousand Years of German Aggression. By S. M. Marvey. (London) Barnard and Westwood, Ltd. 116 pages. 5s. 6d. net.

How It Can Be Done. By R. Acland. (London) Macdonald and Co. 240 pages. 5s. net.

Speeches of General de Gaulle, 1942. Vol. II. (London) H. Milford. 77 pages. 3s. 6d. net.

THE BUSINESS WORLD

The Dollar Problem—I

THE new science of practical economics, to whose development the war has given so large an impetus, has two basic concepts, the National Income and the Balance of Payments. Almost every problem of policy can be directly related to one of these two, and accurate information on their magnitude is the basic datum for virtually every economic analysis. Academic economics will, in the future, more and more start out from them in instructing the student, while the problems of national policy will revolve around them in the same way that statesmen in Whitehall and the City have, in earlier times, watched the Budget and Bank Rate.

Nowhere has so much progress been made in assembling the statistics of National Income and of the Balance of Payments as in the United States Department of Commerce, and economists all over the world are under a very heavy debt to the Department's Division of Research and Statistics for the steady flow of admirably detailed bulletins, articles and memoranda in which the results have been set out. The American estimates of the Balance of Payments are many times more detailed and comprehensive than any that have been published elsewhere, and the United States is the only country that has estimates not only of its monthly National Income but also of the collective income of individual States of the Union. The war has led to the compilation in Great Britain both of greatly improved National Income estimates (which have been published) and of detailed figures of the Balance of Payments (which have not). After the war, the Government's statistical services should set themselves the aim of providing information on these two basic concepts

* "The United States in the World Economy." Economic Series No. 23. Prepared in the International Economics and Statistics Unit of the Bureau of Foreign and Domestic Commerce by Hal B. Lary and Associates. Published by the Government Printing Office. 216 pages. 35 cents.

as promptly and as fully as has been the American practice for many years past.

The Department of Commerce has recently published a report* which summarises the American Balance of Payments throughout the entire period from January 1, 1919, to December 31, 1939. It is a considerable achievement to be able to bring together, in comparable form, figures for as long a period as twenty-one years. The compilers would readily admit that the reliability of the earlier figures is far below the high standard that has been attained towards the end of the period. Nevertheless, the comparability is sufficient for lessons of the greatest value to be drawn from a period of very varied experience.

The main figures, which are given in great detail in the report, are summarised in the table at the foot of the page. This is given in the instructive new form adopted by the compilers of the report—that of setting out the "supply" of dollars and the use made of them. It will be noticed that gold movements and changes in short-term capital balances are both treated as "balancing items"—that is, as movements consequential upon the rest of the balance and not causal factors in themselves—while movements of long-term capital, including purchases and sales of existing securities, are treated as deliberate operations undertaken for some reason other than that of balancing the accounts. There is, of course, something artificial in this conception. Short-term capital movements may sometimes be the reverse of balancing items, while, on the other hand, nations may balance their accounts by sales of securities. But the distinction is none the less useful, and it has at least this justification, that the ideal balance of payments would be one that was in exact equilibrium without any movement either of gold or of short-term balances.

In the table printed here, several groups of years have been averaged to save space. In every case the years thus aggre-

I.—THE SUPPLY AND USE OF DOLLARS, 1919-1939

(Figures are annual averages, in millions of dollars)

	1919-20 (2 years)	1921	1922-25 (4 years)	1926-29 (4 years)	1930-33 (4 years)	1934-36 (3 years)	1937	1938	1939
I.—Factors Supplying Dollars:									
A. U.S. merchandise imports	4,591	2,509	3,686	4,277	1,981	2,042	3,084	1,960	2,318
B. Services imported*	3,957	1,362	1,223	1,484	1,050	958	1,141	1,107	1,034
C. Total imports, visible and invisible	8,548	3,871	4,909	5,761	3,031	3,000	4,225	3,067	3,352
D. Payments of interest and dividends	125	105	136	261	191	187	295	200	230
E. Total current account	8,673	3,976	5,045	6,022	3,222	3,187	4,520	3,267	3,582
F. Outflow of long-term capital†	1,066	877	893	1,353	427	64	28	68	75
G. Total supply of dollars	9,739	4,853	5,938	7,375	3,649	3,251	4,548	3,335	3,657
II.—Factors Using Dollars:									
A. U.S. merchandise exports	8,074	4,485	4,375	5,011	2,388	2,291	3,349	3,094	3,177
B. Services exported*	2,126	680	744	878	521	377	563	556	596
C. Total exports, visible and invisible	10,200	5,165	5,119	5,889	2,909	2,668	3,912	3,650	3,773
D. Receipts of interest and dividends	566	405	644	880	607	508	577	584	541
E. Total current account	10,766	5,570	5,763	6,769	3,516	3,176	4,489	4,234	4,314
F. Inflow of long-term capital†	458	285	360	631	476	535	549	165	102
G. Total dollars used	11,224	5,855	6,123	7,400	3,992	3,711	5,038	4,399	4,416
III.—Excess of dollars used (+) over dollars supplied (—)	+ 1,485	+ 1,002	+ 185	+ 25	+ 343	+ 460	+ 490	+ 1,064	+ 759
IV.—Balancing Items:									
A. Inflow (+) or outflow (—) of short-term capital (net)	n.a.	n.a.	+ 7	+ 163	— 495	+ 575	+ 356	+ 344	+ 1,470
B. Sales (+) or purchases (—) of gold (net)	+ 107	— 686	— 161	+ 59	+ 15	— 1,348	— 1,271	— 1,657	— 3,018
C. Unexplained items	— 1,592	— 316	— 31	— 247	+ 137	+ 313	+ 425	+ 249	+ 789
D. Total of balancing items	— 1,485	— 1,002	— 185	— 25	— 343	— 460	— 490	— 1,064	— 759

* "Services" includes shipping and freight, travel expenditures, personal remittances, institutional contributions, government transactions, silver, and miscellaneous items, but not interest and dividends, except on Government loans. † Flow of long-term capital includes loans, direct investments, amortisation payments and a purchases and sales of existing securities.

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

gated have very similar characteristics and can be treated as a group. One other change has been made: in accordance with *The Economist's* long-standing practice, the item of interest and dividends is removed from the services group and shown separately. This is logical, since the receipt and payment of interest and dividends are not current trading, like most of the other service items, which differ from merchandise trade only in being invisible. It is also a most useful distinction when it comes to the drawing of conclusions for policy.

For detailed discussion of the different items of the account, the reader must be referred to the report itself. What are chiefly of interest are the conclusions that are reached about the general shape of the American balance of payments in the inter-war period and about the prospects for the future.

The shape of the American balance is not very well understood, especially in England. Accusations are frequently heard that the United States persistently sells more than it buys. But reference to Table II will show that, though this was broadly true of the 1920's, it was, on the whole, untrue of the 1930's. In the ten years 1930-39, American purchases of goods and services* exceeded American sales of goods and services by an average amount of \$23 million a year. If the two years 1938-39, when rearmament sales were swelling the figures, are excluded, the average is \$155 million a year bought in excess of sales. That the contrary should be so widely believed is an instance of the power of the visible over the invisible, for it is America's invisible purchases that redress the balance. It is true that the balance on current account—that is, the balance of trade plus net interest receipts—was usually (though not in 1935, 1936 or 1937) positive. But it is no mark of misbehaviour on the part of a creditor to have a positive balance on current account. Quite on the contrary; a creditor must have a positive balance on current account or cease to be a creditor, and it was the disappearance of this credit balance in the British accounts in the 1930's which led to head-shakings

* Throughout this discussion, charitable contributions and personal remittances are treated as purchases of services, for such is their effect on the balance of payments.

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

• ROWNTREES

II.—THE CURRENT ACCOUNT

	Balance of Trade, Visible and Invisible (i.e., Merchandise Trade and Services, but excluding interest and dividends)	Balance on Current Account (i.e., previous column plus interest and dividends)		Balance of Trade, Visible and Invisible (i.e., Merchandise Trade and Services, but excluding interest and dividends)	Balance on Current Account (i.e., previous column plus interest and dividends)
	(Millions of dollars)			(Millions of dollars)	
1919.....	+ 1,088	+ 1,498	1930.....	+ 154	+ 735
1920.....	+ 2,219	+ 2,687	1931.....	+ 279	+ 175
1921.....	+ 1,294	+ 1,594	1932.....	+ 166	+ 159
1922.....	+ 203	+ 642	1933.....	+ 194	+ 108
1923.....	+ 2	+ 548	1934.....	+ 40	+ 341
1924.....	+ 513	+ 975	1935.....	+ 522	+ 156
1925.....	+ 127	+ 709	1936.....	+ 516	+ 218
1926.....	+ 139	+ 454	1937.....	+ 313	+ 31
1927.....	+ 140	+ 721	1938.....	+ 583	+ 967
1928.....	+ 380	+ 1,027	1939.....	+ 421	+ 732
1929.....	+ 134	+ 786			

over Britain's international position. What is misbehaviour on the part of a creditor is to have a credit balance on current account larger than can be conveniently dealt with by the international capital market. This was the American position in the 1920's: in the eight years 1922-29 (i.e. ignoring the exceptional years 1919-21) the average credit balance on current account was \$733 million. But it was not true in the 1930's: in the eight years 1930-37 (ignoring the exceptional years 1938-39) it was only \$139 million—surely not an excessive amount for a creditor to add to his capital assets out of an average annual turnover of over \$4,000 million.

To defend the American balance on the familiar charges is not, however, to say that there were no defects in the position. The shape of the capital account was far more open to criticism than the current account. What has been argued in the previous paragraph is that, in the 1930's, a comparatively small net export of capital would have brought the accounts into equilibrium. What actually happened was a considerable net inflow of long-term capital, amounting to \$49 million on the average of 1930-3, to \$471 million on the average of 1934-6 and to \$215 million on the average of 1937-9—and, on top of that, from 1934 onwards, net inflows of short-term capital averaging \$649 million over the six years. In the first half of the decade of the thirties, there is little to choose between the behaviour of American-owned and foreign-owned capital. But from 1935 onwards the inflow of capital, both long-term and short-term, was preponderately foreign-owned. It is, of course, still true that massive loans of new money by America to other countries could, in theory, have balanced the accounts and avoided the necessity for huge shipments of gold. But anyone who is tempted to argue thus should reflect that the need for these loans arose, not out of anything that was wrong with the current account (i.e. America's trading account), but out of the panic flow of foreign funds to America. It was not faulty American economics, but faulty European politics, that was to blame.

Still another defect in the American position was the enormous variation in the total turnover on the exchanges. In 1928 the balance on current account was favourable to the extent of \$1,027 million; in 1933 to the amount of only \$108 million. But it would be misleading to infer from this comparison that the outside world found it easier in 1933 than in 1928 to acquire the dollars it needed; for the total supply of dollars in 1920 was \$7,507 million and in 1933 only \$2,367 million. The experts of the Department of Commerce are inclined to assign no less trouble-making influence to this wide fluctuation in the turnover of the market than to the balance remaining on one side or other of the market. In other words, it is the size as well as the shape of the American accounts that leads to difficulty. It is, of course, difficult to prove by figures which side of the account is the cause and which the effect. Is it a shrinkage in the supply of dollars that causes other countries to cut down their purchases in America, or vice versa? The compilers of the report have little doubt about the answer. Basing their judgment on close scrutiny of the course of events, on a comparison of relations between America and other countries with their relations among themselves, they have no hesitation in concluding that it is the erratic nature of the supply of dollars that chiefly causes the fluctuations. This candour is surprising in those who might easily have thought it their duty to be national advocates; and it is most gratifying evidence of scientific objectivity.

The analysis of the past is interesting; but its chief importance derives from the light it sheds on the prospects for the future demand for and supply of dollars. This will be discussed in a second article.

Business Notes

War Damage Progress

The Chairman of the War Damage Commission has given the press an encouraging account of the progress that the Commission is making with a task that is unprecedented both in scale and in nature. Sir Malcolm Trustram Eve revealed that the Commission had 2,750,000 separate damaged properties on its books, and that 1,754,000 separate claims had been lodged. Of the 1,124,000 claims which called for payment at once, 1,077,000 have actually been paid. The most important new development of principle relates to the treatment of severely damaged houses. The original Act drew a clear distinction between those properties which could not be rebuilt, or where rebuilding was not worth while, and those which were not a total loss. For the latter, the payment is the "cost of works" at the time that those works can be carried out. The former, however, were to receive a "value payment" equal to the value of the property on March 31, 1939, with such adjustment for changes in the value of money as the Treasury thought proper. As the result of this year's amending Act and of a Treasury direction, this principle is now to be substantially modified. In the case of a house built after March 31, 1914, the Commission is now empowered to make a "cost-of-works" payment if and when the owner has been able to rebuild the house, even if it was totally destroyed by the bomb, and the same provision is to be extended to pre-1914 houses, where the Commission is satisfied that they were, before the damage, not less sound than when erected, and in design, lay-out and amenities reasonably similar to post-1914 houses. In short, all post-1914, or equally modern, houses are to be rebuilt at public expense, not compensated for in money. This is a welcome policy—certainly welcome on grounds of public policy and probably welcome to the great majority of individuals concerned. It will, of course, raise very difficult problems in the definition of what constitutes rebuilding a totally destroyed house, so that the new house is neither better nor worse than the old, but these have undoubtedly been foreseen. The Commission shows a wholly praiseworthy anxiety to let the owners of damaged or destroyed properties know where they stand at the earliest possible moment. All in all, the promising experiment of the War Damage Act is working out very satisfactorily. The chief gap in the public's knowledge relates to the methods of valuation. The good will the Commission is acquiring could be destroyed by ungenerous valuations.

Steel Prices

An interesting and informative report by the Select Committee on National Expenditure dealing with the general subject of price-fixing in war contracts (which will receive extended treatment in a forthcoming issue of *The Economist*) contains some incidental remarks on the price-fixing policies of the Iron and Steel Control which have attracted some attention. The Report describes the complicated system of levies which has been in operation all through the war as a means, first, of spreading over the whole industry the burden of meeting the heavy cost of imported raw materials, and later of supporting the profits of the high-cost producers. This levy is not very heavy. The price of plates rose from £10 10s. 6d. in September, 1939, to £16 3s. in November, 1940, and of this rise of £5 12s. 6d., the levy accounted for £3 12s. 5d. Since 1940 prices have been stabilised, and in recent months the levy has not been enough to meet the charges upon it. If payments continue throughout 1943 on the same basis as for the first six months, public funds will be required at the rate of £9 million a year. This disclosure has been reported in the press in such a way as to imply criticism by the Committee. Their attitude, however, is the contrary. They criticise the fact that the price of steel has been inflated by the levy and contend that the whole cost, both of high-cost imports (now obtained under Lend-Lease) and of additional payments to high-cost producers, should be met by the Exchequer. Their only criticism of the use of public funds to subsidise the steel industry is that a statement should have been made to Parliament. This extension of the doctrine of subsidies is a tenable view; but though steel is certainly a basic material, the analogy with food subsidies would hardly apply, since there is no such direct nexus

with wage rates. And since almost all the steel is ultimately paid for out of public funds in any case, the choice between paying a subsidy to keep prices down and paying a subsidy in the price seems rather academic. The one thing that is fairly clear is that the Control has been right to institute some form of equalisation fund (however financed) rather than raise prices to the level at which they would remunerate the high-cost producer and present the low-cost producer with a large profit. *The Economist* frequently criticised the pre-war pricing policy of the Iron and Steel Federation, and the wartime price schedule is only the peacetime schedule with adjustments. But the adjustments themselves seem to have been soundly conceived in the public interest.

Coal Consumption—

These late November days are foggy and damp, and it is not surprising that people are using more fuel. On the first three days of last week, 11 per cent more gas and 7 per cent more electricity were consumed than in the first three days of the week before. (Compared with consumption in the corresponding period of 1942, 13 per cent more gas and 12 per cent more electricity were consumed.) The Minister of Fuel, alarmed at the upward trend, has renewed his warnings and appeals for economy. Last winter's mild weather helped the Government to justify its decision not to ration fuel, and Major Lloyd George was able to claim that less coal was actually delivered to consumers than would have been required to honour a coupon scheme. But, as *The Economist* has repeatedly pointed out, conditions may not always be so favourable. It is too late to introduce a just and effective system of rationing at this stage—the administrative machinery required and the political controversy which it would revive may be sufficient reasons against it—but, though there is little satisfaction in being wise after the event, it becomes increasingly clear that the retreat from rationing in June, 1942, was unwise strategy. The gap between production and consumption, which the Government claimed to have bridged this summer, is likely to widen dangerously at both ends, as more and more coal is needed for military purposes. The public will no doubt respond, as they always have done, to Government appeals and exhortations. The Ministry will continue to issue brightly worded posters and advertisements; the BBC may revive its "fuel flashes"; as last year, housewives will check their meters and neighbours will share their fires. Some patriots may go to bed an hour earlier; others may consider it equally patriotic, and infinitely preferable, to get up an hour later, to relieve the peak load at breakfast time. All this will help, but diminishing returns apply no less to propaganda than to other commodities. With more than misgivings, the Government will have to look more to increased production by an improvement in the industry's efficiency than to reduced domestic consumption, to save the situation this winter.

Important Notice to our Sherry Customers

FINDLATER'S FINO, well-known to Sherry drinkers all over the World, will in future be known as

FINDLATER'S DRY FLY SHERRY

The reason: Findlater's Fino cannot be registered and protected from imitations under that name. FINDLATER'S DRY FLY is registered, ensuring protection for our customers throughout the World.

FINDLATER, MACKIE TODD & CO. LTD.
Wine Merchants to H.M. the King 92 Wigmore Street, W.1



—And Production

The renewed warning by the Minister of Fuel and Power about the gravity of the coal situation was given on Tuesday. In answer to a Parliamentary question, he stated that it might be necessary to reduce coal supplies to domestic consumers in order to offset the decline in production, brought about by decreased output per manshift and losses from strikes. On November 9th, the Minister had given an indication of the extent of the decline in output per manshift at the coal-face from June, 1941, as shown in the accompanying table:—

1941—July	1942—September	2.88
August	October	2.91
September	November	2.92
October	December	2.88
November	1943—January	2.88
December	February	2.88
1942—January	March	2.89
February	April	2.85
March	May	2.85
April	June	2.82
May	July	2.82
June	August	2.76
July	September	2.82
August	October	2.82

Figures of average weekly output last month showed a distinct improvement over the previous four-weekly period, but there are indications that this month's will show a substantial drop. The number of strikes has been increasing, and although work has been resumed in the Lancashire coalfield, the stoppage of 10,000 miners for nearly two weeks has meant a loss of about 90,000 tons. The Lancashire and Cheshire Mineworkers' Federation and the Durham Miners' Association have both denounced unconstitutional strikes and stoppages as "sabotage"; but the situation is becoming increasingly critical, and it is feared that the release of Sir Oswald Mosley may result in local strikes, especially in connection with the imprisonment of surface workers who refuse direction underground. This week the miners have been considering the Government's reply to their proposals for improving output. The main demands of the Mineworkers' Federation were for the Government to assume financial as well as operational control over the mines; for the release of ex-miners from the Forces; for the granting of a £6 a week minimum for underground workers and £5 10s. for surface workers.

Progress at Montreal

If the latest cabled advices from Montreal are to be trusted, the Executive Committee which is considering the various schemes for the reorganisation of the City's debt has now reached agreement, by a majority of five to one, on a plan to be submitted to the City Council. How long it will take to draw up the necessary bye-law and what support the one dissident of the Committee will find on the Council are matters of speculation, but the message suggests that the details will be ready in the near future. So far as they go, the outlines of the suggested plan seem to coincide quite closely with the desires of the London Committee. But there are a number of points on which there is no information, and inquiries in quarters which may be considered authoritative show that there is no information on this side on this point. It is, however, regarded as reasonably certain that the Executive Committee has agreed on a plan and highly probable that the plan includes very substantial concessions



**FOR ALL
INSURANCE
NEEDS**

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

to the British point of view. How long it will take to pass the plan through the Council of one hundred members is doubtful, but it is reasonable to suppose that an acceptable agreement will be reached in the not distant future.

Gold in Egypt

A considerable widening of the gold market in Egypt occurred this week. Until last Monday, the gold market Alexandria, while free to function without restriction, only handled a negligible turnover, consisting mainly of jewellers' scrap and odd coins filtering through from the Middle East. The price in this market has recently ranged around 177 piastres per dirhem, which, taking the piastre at 97½ to the £ and the dirhem as equal to 48.149 grains, gives a sterling equivalent of £16 10s. per ounce. This week, however, the stream of gold reaching the open market in Egypt has been appreciably increased by metal offered through Egyptian official quarters. This gold is being provided by the British Treasury at the request of the Egyptian Government and after due consultation with the US authorities. It is being sold through Egyptian banks and is made available in the form of small bars of 18.69 dirhems over 2 ounces) of 996/1,000 fineness and at a price of piastres per dirhem. These official gold sales fit into a pattern already made familiar by similar operations in the Middle East and India. Their immediate objective is to counter the forces of inflation which in all these territories proceed, not so much from the unbalanced expenditure of their own Governments as from the expenditure in their countries of other authorities (mainly the British and US Governments). The fiscal machinery of the Governments concerned is crude and inelastic even when dealing with their own direct responsibilities, and has made no attempt to mop up the purchasing power created by the large expenditure of extraneous powers. Hence the fact that these countries top the list of inflation-ridden powers, their counterpart on the enemy side being Bulgaria, where exactly comparable conditions obtain. The gold now being sold in Egypt is paid for out of the accumulated sterling resources held by the National Bank of Egypt. The operation thus achieves two objectives. It reduces the accumulation of abnormal sterling balances, and it should mop up redundant purchasing power in Egypt. The policy of combating inflation by sales of gold has its limitations. Under existing conditions the Middle East could prove a dangerously receptive sink for the precious metal, and it is to be hoped that sales of gold will not exclude more orthodox anti-inflationary measures.

Wool Payments to Australia

It was announced this week that since the beginning of the war the United Kingdom Government had paid to Australian wool-growers a total of £A289,753,000 for the clip and skins, and had, in addition, incurred expenditure of £A10,533,000 for storage charges and £A2,964,000 for processing, making an aggregate disbursement in Australia of £A303,250,000. These figures help to explain the steady improvement in the Australian balance of payments since the war. Although the Australian wool clip is now bought in advance by the British Government, payment is only made as the wool arrives and is appraised in the course of the season, and the totals published this week will apply to the four completed clip years which have elapsed since the war. This means that for each year the clip will have provided a yield of over £A70 million for the Commonwealth. This is well above the figure that obtained before the war. In the five years to 1937-38 the annual proceeds of the Australian clip brought in totals ranging from £A39 million to £A62 million, with an average of around £A50 million. The average maintained during the war is thus much higher than what would have been regarded as an exceptionally good figure before the war. In the circumstances, the strength of the Australian London funds position is not surprising. These sterling holdings are said to have wholly recovered from the recent heavy transfers to the British Government in final discharge of the advances made for war purposes by the Treasury. A persistent and important source of support for these sterling funds is the remittance by the Commonwealth of dollars representing the expenditure of American troops in the Pacific sterling area. Although a small dollar reserve is maintained by the Commonwealth Bank, the bulk of this dollar income is remitted to this country and converted into sterling.

Another Air Service Company

The process of staking out claims to air transport continues, and another group of shipping concerns, the Coastal and Short Sea Group, has registered a company to operate passenger and cargo air services over internal and continental routes. The scheme is dependent upon obtaining the necessary consents and machines. The composition of the group is not specifically stated, but it is understood to include the Currie and Wilson lines, the Hamburg Steam Packet, General Steam Navigation and S. Instone lines, on one side, and Tyne, Tees Steam Shipping, France, Fenwick, the London and Edinburgh and the Dundee, Perth and London Shipping companies, on the other. It is to be noted that none of these concerns appears to be associated with the pre-war civil aviation group centred around the railways and Coast Lines, the scope of whose activity was discussed in a note on page 652 of *The Economist* of November 13th. No statement has, so far, been made by this group, but, since the railways have been interested in both internal air transport and cross-Channel services since 1929, and, in fact, carried a very high proportion of the total route mileage for which licences were issued, it is to be supposed that they will have something to say on the subject of this new claim. There is every reason to look with favour on a healthy competition between services, but the emergence of this new Government decision on the policy to be adopted for all forms of air transport, internal, short sea and long distance, is very desirable.

Financing OFS Mines

Formed in 1924 as a reconstruction of another concern, East Rand Consolidated, a company of British registration, has so far never paid a dividend. After nine years of existence it halved its capital by writing off £117,738 and, under the stimulus of the doubled price of gold, launched out afresh, raising its paid up capital to £1,447,500. At the end of 1941, after revaluing investments at market price, it had a debit balance on profit and loss account of over £300,000, against a rather larger reserve account. Its assets included £576,000 odd, exploration account, and £350,000, properties, operations in connection with which had resulted in losses for seven years running. In the previous year its 5s. shares had been down to 3s., but, as a result of protracted negotiations for the acquisition of certain rights in the Orange Free State—the latest El Dorado—they have within the past few days been as high as 17s. It is now revealed that ERC has purchased, from well-known mining houses, prospecting and option contracts over the mineral rights of certain Orange Free State areas and various interests in other areas. The purchase is to be satisfied by the issue of 120,000 shares out of the authorised capital of the company. Further acquisitions are in contemplation. It is also stated that the market value of investments held by the company is now some £2,185,000, that all loans and advances have been paid off, and £150,000 accumulated in cash resources. There is no mention of creditors, but perhaps the figure of £150,000 is net. Nor is there any statement as to the value of other assets. The figures given represent, however, some 8s. for each old share in the company. On the news the quotation fell to 14s. 6d. The remaining 6s. 6d. is, presumably, a measure of the results expected in the OFS. That is to say, the issue of 120,000 on a basis of, say, 15s. per share, or £90,000, is held to warrant writing up by well over £2,000,000 the capital of a company which, in just under 20 years and despite the doubling of the price of the commodity it is designed to produce, has paid no dividend. One may well ask why such a concern is chosen to be the vehicle for the financing of any part of the new venture, for it is, of course, taken for granted that the mining houses will, in due course, sell the shares they have received and use the proceeds in fresh fields of endeavour.

GUS Developments

The ordinary shareholders of Great Universal Stores received a pleasant surprise on Tuesday in the form of an increase in the interim dividend from 2½ to 3 per cent, both tax free. This caused a modest rise in the price to 22s. 4½d. But, before this news can have obtained any wide circulation, there came another shock of a less pleasing character, in the form of a reply to a question to 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 Lighting Advisory Service has been established to assist the owners and managements of factories to obtain expert advice about their lighting with-out 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 Lighting Advisory Service.

MAZDA

LIGHTING ADVISORY SERVICE



THE BRITISH THOMSON-HOUSTON CO., LTD., Crown House, Aldwych, LONDON W.C.2. Telephone: Tem. Bar 8046

President of the Board of Trade. This called for the closing of Jays and Campbells, control of which was recently acquired by Great Universal Stores. Mr Dalton replied that between April and November, 1943, convictions under the Goods and Services Price Control Act were obtained against one firm and four convictions against another in this group of furniture dealers. He added that until proceedings were instituted, or there were further offences and convictions obtained, the courts could not make a closing order under the Act of 1941. If such proceedings were instituted he would certainly ask the Attorney-General, or, if in Scotland, the Lord Advocate, to take action. This news produced a fall in the shares to below 21s., followed by a recovery to that figure, a net decline of 1s. on the day. A great deal depends upon the exact dates of the offences and of the acquisition of control by GUS. Neither of these is quite certain. The company announced in mid-September that negotiations were proceeding with Jays and Campbells (Holdings), and three weeks later the acquisition was, apparently, complete. In the circumstances, it would doubtless relieve the anxiety of shareholders if it could be made clear that, neither in this case nor in that of other firms, had there been any history of offences against the Act while the concerns were under the company's control. Some such statement is all the more necessary in view of the board's persistent refusal to disclose the names of other companies acquired in the course of the last few years.

EMI Reserves

The feature of the latest accounts of Electric and Musical Industries is the replacement of the usual combined statement of the subsidiaries by a full consolidated balance-sheet and profit and loss account. Since all the subsidiary companies are wholly owned, as distinct from merely being controlled, either by EMI itself or jointly with Marconi's Wireless, the new consolidated accounts should be of substantial value to shareholders. Unfortunately, although comparable figures for 1941-42 are given, it is impossible to carry back the comparison further. Consolidated profit shows a rise from £637,486 to £926,802, but

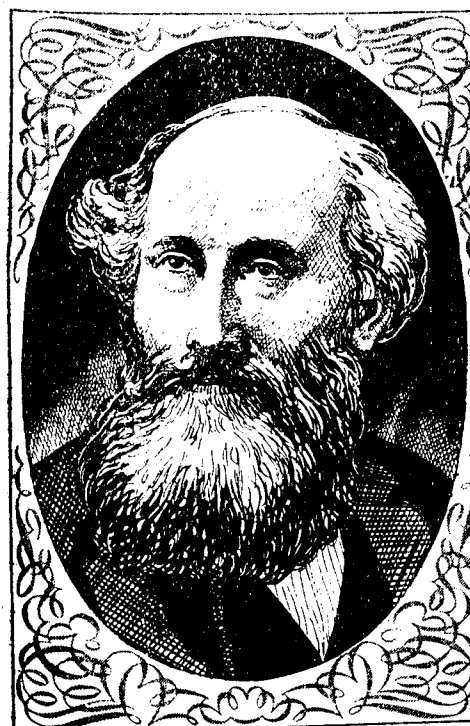
a very large part of this is absorbed in higher tax provision. Tax paid and accrued stands at £283,278, against £76,000, and the provision against the estimated liability for 1944-45 is £417,222, compared with £360,000. The amount earned on the ordinary capital is increased from £139,760 to £164,007, equivalent to 11.3 per cent, against 9.5 per cent. The actual payment, announced six weeks ago, was 8 per cent, compared with 6 per cent in each of the two preceding years. In view of the limitation imposed on manufacture, it appears evident that the profit margin must be very considerable. There is little doubt that, subject to the possibility of further price control, this margin is likely to persist during the period of keen replacement demand after the war.

The date of the accounts of the parent has been put three months earlier in order to coincide with that of the subsidiaries, but this makes no difference to profits, since a full year's operations are included. It does, however, put the balance-sheet position back to end-June last. At that date there was, on the year, a very substantial change in the assets of the company. Apart from a drop of £62,500 in fixed assets, presumably due to depreciation, whose amount is not disclosed, holdings in subsidiaries outside this country have been further written down from £188,324 to a nominal figure. As this item includes some Empire concerns, excluding India, Australia and Eire, and some European interests which may be returned to the group—the Japanese interests were sold before the collapse—there is here a very material secret reserve. But, in addition to this, there appears, for the first time, a general reserve of £300,000, created partly by profits on the sale of the Rudge-Whitworth interest to the Raleigh Cycle Company, and partly by bringing in other reserves, previously concealed and no longer required. There is also, for the first time, a taxation reserve, standing at £417,732 in 1942 and £976,283 this year. Total liabilities for tax up to the date of the accounts are estimated at £700,500, which is more than fully covered by a holding of tax reserve certificates. Net liquid assets of the group have increased on the year from £2,811,665 to £3,960,693, but, on each occasion, liabilities include an unspecified amount set aside to cover the cost of replacements and re-establishment of business after the war, which ought to be given separately since it is in no sense of the same nature as trade creditors. The only other item calling for mention is a rise in stock in trade and work in progress from £3,093,235 to £3,721,060, which indicates the trend of the group's activities. The 10s. ordinary shares of EMI stand at 26s. 6d., yielding a few pence over 3 per cent, less tax.

Blocked Cruzeiros

The persistent improvement in the Brazilian exchange position has made it possible for the Bank of England to tackle the problem of blocked cruzeiro balances held in Brazil for account of residents of the United Kingdom. The cruzeiro was added to the list of specified currencies (which must be offered to the Bank of England) in September, 1942, but it was announced at the time that the Bank was not prepared to purchase blocked cruzeiros. These blocked balances are largely a relic of pre-war exchange difficulties in Brazil which led to a succession of defaults and restrictions on the free transfer of milreis accounts. The body of regulations defining the treatment of blocked balances in Brazil is extraordinarily complicated, and many of these assets are immobilised not only by reason of the regulations, but by their liability to Brazilian taxation and to compulsory contribution to Brazilian war loan. The growing sterling balances accumulating here on Brazilian account provided the basis for a compensation agreement. By this agreement residents of the United Kingdom will be able to obtain conversion into sterling of cruzeiro balances which up to the present have been blocked. Conversion will take place in Brazil at the Bank of Brazil's selling rate for sterling. Holders of blocked cruzeiros are asked to give instructions for their holdings to be transferred to the Bank of England's blocked account with the Bank of Brazil. Where there are good reasons for leaving the balance undisturbed, as, for example, where it might have to bear substantial charges on being transferred, the conversion will not be required by the authorities on this side.

BENEFACTORS OF MANKIND

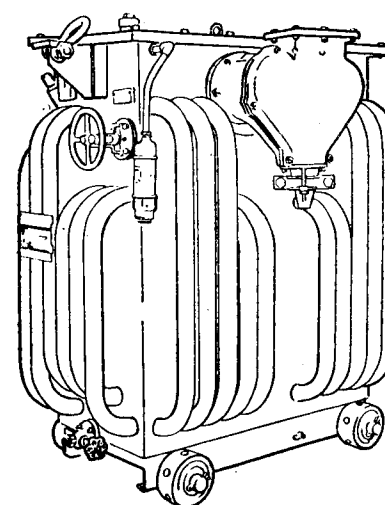


JAMES CLERK-MAXWELL (1831-1879)

"A man that is young in years may be old in hours, if he have lost no time, but that happeneth rarely" wrote Francis Bacon. The life and career of James Clerk-Maxwell is surely a rare example. A great harvest from a short season!

Initiative

MAXWELL initiated research into a wide range of subjects which the shortness of his life prevented him from completing. He clothed electrical phenomena with the language of mathematics. His researches included the theory of colours, colour blindness, the study of molecules, elastic solids, astronomy, heat, matter and motion. His major contribution to science is set forth in his standard work "Electricity and Magnetism". The Brush organisation has initiated many outstanding improvements in the design and manufacture of its world-renowned electrical products.



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

Voice of the North



ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

Engineering Wages

In accordance with the decision taken at its National Committee meeting in June, the Amalgamated Engineering Union has now submitted to the Engineering Employers' National Federation its proposals for the grading of work throughout the industry, and a meeting between the two sides has been arranged for December 2nd. The AEU's object is to arrive at a formula for grading the various machine operations in the engineering industry, irrespective of whether they are performed by men or women. The question of women's wages and the grading of work performed by women has caused considerable confusion, and it was the immediate cause of the recent stoppage in a Scottish aero-engine factory. The position there was that, after the finding of the Wark Court of Enquiry into an alleged breach of the agreement between the employers and the AEU, laying down the conditions for women's employment, an agreement was negotiated, under which workers were graded into five groups, with a difference of 5s. between the two lowest grades. The strikers' demand was that the bottom grade should be raised to the same level as the grade immediately above it. After a nine-days strike, the workers returned, and informal discussions on grading in the factory are now going on. If agreement can be reached nationally upon the grading of engineering wages, and it were to lead to a simplification of the complex structure of wages in the industry it would remove an important potential cause of unrest. On Wednesday the AEU, together with the other unions comprising the joint engineering trade union movement, decided to apply to the employers for an all-round increase of 10s. a week on the base rate. This claim will affect 2 million workers, and will apply to women who, by agreement, are receiving men's wages. While there may be justification for ironing out anomalies and raising wages of lower-paid grades, it would be surprising if the unions were able to produce sufficient fresh evidence to justify a 10s. all-round increase—a demand which was rejected by the National Arbitration Tribunal in March.

* * *

The Cotton Industry's Future

Sir Raymond Streat, opening a recruitment and training exhibition at Ashton-under-Lyne last Saturday, spoke optimistically about the future of the cotton industry. He pointed out that the British cotton trade was still great and strong—before the war it was responsible for 10 per cent of the total world production of cotton yarn—and had developed and flourished without the assistance of protection; the industry had shown itself versatile and resourceful both in meeting peacetime and wartime requirements (the utility cloth scheme being an outstanding example of its adaptability) while wartime improvements in technical efficiency, together with the skill of the industry's operatives and the experience of its technologists, would provide a firm basis for meeting the period of rapid change and development that would inevitably face the textile trade after the war. Sir Raymond was right to emphasise these positive factors. As he himself pointed out, there has been a tendency in Lancashire for self-depreciation and the "writing down" of past achievements, which has in part accounted for the reluctance of young workers to enter the industry. It is the same story as in mining, and the same remedies—improved efficiency and better wages, conditions and prospects—will have to be applied if the cotton industry is to attract the juvenile labour which it so much needs. Sir Raymond, perhaps wisely, did not elaborate his views on the maintenance of Government control, though it seemed to be implicit in his statement that it was above all necessary to avoid price inflation. It will be equally necessary to safeguard against the over-inflation of capital and to a rapid expansion of plants, that happened after the last war. The dangers of this war, when the main burden of clothing Europe may fall on the British textile trade, will be infinitely greater, and it is good to know that the problems of the transition period, such as deconcentration, demobilisation, new plant and repairs, are being closely studied, and will form "the subject of concrete plans which will cover the whole field." Sir Raymond anticipates a continued strong demand for Lancashire cotton products for perhaps two or three years after the war; thereafter, "unless we can gain export markets, we shall find we cannot occupy plant on the scale we now possess." He was not able to throw any light on the long-term problem or on how export markets could be gained. His advice to the industry to concentrate on improving its organisation and efficiency in the transition period was the soundest counsel.

Equity for Life Policyholders

Not least among the problems engaging life assurance offices during recent months has been that of maintaining a proper balance between the interests of the various groups of policyholders which contribute to the total revenues. This is mainly a question of the relationship between the without-profits group, on the one hand, and the with-profits group, on the other. It is evident that in present conditions—continuously falling net interest rates coupled with exceptional mortality due to the war—the without-profits business of most offices must be operating at a loss, and this loss (apart from those few proprietary offices that maintain separate funds for the two classes of business) falls chiefly on the shoulders of participating policyholders in the form of a reduction in the profits otherwise accumulating for distribution. Such a situation is perfectly fair to the extent that policyholders electing to participate in the fortunes of a life office must be deemed to have accepted the hazards, as well as the benefits, of so doing. Nevertheless, insofar as present low interest returns are attributable to the policy, followed by the offices since the beginning of the war, of investing all available funds in Government securities—a policy dictated by national considerations and contrary to the direct interests of policyholders—it seems hard that the whole of the burden should be borne by the participating group alone. There is, of course, nothing that the offices can do to mitigate this inequity—the terms of contracts are fixed and unalterable—and it was for this reason that Mr William Penman, the actuary of the Atlas, in a recent letter to *The Times*, appealed for some reduction in the rate of taxation on life offices' funds, at present fixed at 7s. in the £. In fixing rates for new insurances, however, the offices have a clear duty to take a cautious view of future prospects, both as regards interest earnings and mortality, so that a further aggravation of the inequity is improbable. Net interest earned may be slow to recover after the war, especially as the standard rate of taxation will need to fall below 7s. in the £ before any benefit accrues under this head. And the possibility of further civilian mortality from war causes cannot be ruled out. From this last aspect the practice of some offices of covering civilian war risks without extra charge seems hard to defend, although reductions from the rates current in the early days of the war are doubtless justified.

Besides the relationship between with-profits and without-profits policyholders, there is also the question of maintaining equity between different sub-groups within the participating section. As regards new-business policy, the position is clear—whenever without-profits premiums are increased, with-profits premiums should be adjusted correspondingly, in order to avoid any diminution in the "bonus loading." This was the procedure followed by the Commercial Union in revising its terms on October 1st; the increase in with-profits premiums only, announced by the Scottish Union and National, with effect from November 1st, merely rectified an existing inconsistency. The issue as between different groups of existing policyholders—depending on such considerations as the length of time for which the policy has been in force, the age-grouping, and so on—is far more complex. Mr H. E. Melville, in his presidential address to the Institute of Actuaries, suggested that owing to the decline in interest earnings, and consequent reduction in the importance of this factor, new methods of bonus distribution might have to be evolved if justice is to be done between one class of policyholder and another. On the other hand, it might with equal validity be contended that the office should seek to apply a constant method of distribution, equity between policyholders being maintained by varying premiums from time to time to conform with expectation when the policy is issued. In any case, it does not seem possible for more than rough and ready justice to be meted out on this particular issue.

Light Metals

In his monthly munitions production report for July, Mr Donald Nelson, chairman of the United States War Production Board, said that "the production problem for magnesium and aluminium has been overcome." Magnesium production in the United States now amounts to about 35,000,000 lb. a month, compared with 500,000 lb. before the war. This represents an annual rate of production more than six times as great as the total world output of mag-

(Continued on page 727)

COMPANY MEETINGS

THE FINANCIAL NEWS LIMITED

AN ENCOURAGING TREND

MAJOR-GENERAL DAWNAY'S SURVEY

The forty-sixth annual general meeting of The Financial News, Limited, was held at the registered offices of the company, 20, Bishopsgate, E.C.2, on the 23rd instant, Major-General G. P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., chairman of the company, presiding.

The Chairman said: You will notice that in presenting the accounts for the past year we have adopted the recommendations of the Institute of Chartered Accountants regarding the grouping of assets and liabilities in the balance-sheet. This follows upon the departure made last year of charging income-tax in the general profit and loss account in full and dividends in the appropriation account net after deducting the income-tax recoverable. We believe that these changes will commend themselves to the shareholders as giving a clearer presentation of the company's financial position and earnings.

You will also see that the figures in the accounts are stated to the nearest pound. This is due to the present restrictions upon the size of printed accounts. To have included shillings and pence, which do not materially affect the figures, would have necessitated either using type so small as to be difficult to read or dispensing with detail.

Turning to the figures themselves, you will see from the directors' report that the profit for the year covered by these accounts amounts to £33,122, leaving, after providing £17,264 for income-tax and N.D.C., a balance of £15,858 against £7,298 in the previous year. As this follows last year's increase from £10,960 to £15,374, or after providing for income-tax and N.D.C. from £5,691 to £7,298, your directors consider this result satisfactory. It shows an encouragingly progressive tendency, which seems to be borne out by the further improvement in results shown by our figures during the current year to October, after the closing of the accounts which are now before you. Moreover, once again we have dealt conservatively with the profits of the subsidiary and associated companies, a policy which you will no doubt endorse. The amount carried forward to credit of the profit and loss accounts of the two principal subsidiaries for the year under review has, for instance, been increased by not far short of £6,000.

THE BALANCE SHEET

There are no significant changes in the balance-sheet. On the liabilities side you will see the increased provision for income-tax required to provide for our liability up to the date of the accounts. The mortgage loan has been further reduced during the year, while current liabilities have increased a little, mainly due to the increased provision necessary for taxation. Fixed assets show a small reduction which represents the amount by which they have been depreciated during the year under review. Current assets show an increase of £14,417; trade debtors are about £3,700 down; investments, almost all in Government securities, have been increased by about £16,600; while the reduction in cash at bankers and in hand compared with last year is more than offset by the holding, in addition, of £70,000 tax reserve certificates. Current assets exceed current liabilities by £65,867, compared with £54,450 last year, showing an increased credit balance of £11,417.

Taking all these facts into account, your directors came to the conclusion that the sound financial position of the company

justifies them in recommending the payment of a dividend of 20 per cent. on the ordinary shares. Payment of the preference dividends has absorbed £5,269 net, and the ordinary dividend now recommended will absorb £10,500 net, leaving a small balance to be added to the carry-forward, which will leave the total credit at profit and loss standing at the not unsatisfactory figure of £98,814.

The factors to which I have previously referred as tending to restrict our revenue-earning capacity continued to operate during the past year; but so also did the economies, many of which have been imposed upon us, but which have tended to mitigate the restrictions of our revenue-earning capacity.

THE OUTLOOK

As regards the future prospects, you will not expect me to indulge in prophecy, and I should most certainly not be willing to do so in any case. It must suffice if I say, as my remarks have already indicated, that, judging by the present trend of our business, we are encouraged to hope that the results for the current year may not compare unfavourably with those shown in the accounts before you.

No one can doubt that the war situation is vastly better than when we held our last annual meeting, or that there are to-day many encouraging indications. But it is, I think, well to remember that even after the war one very important part of our earning power is likely to remain greatly restricted, for one can hardly envisage any outpouring of prospectuses in the controlled post-war economy such as contributed so largely to our revenue in pre-war days.

As regards the staff, this has remained at the bare minimum to which I referred last year. We have continued to supplement the pay of those members of the staff who find themselves on active service. Those who remain continue to carry a heavy burden and to work at extreme pressure. They are rendering very efficient loyal service to your company in maintaining the high quality and goodwill of our publications.

The report and accounts were unanimously adopted and a dividend of 20 per cent. on the ordinary shares for the year ended June 30, 1943, was declared.

TIMOTHY WHITES AND TAYLORS, LIMITED

PROFITS WELL MAINTAINED

MR PHILIP E. HILL'S SPEECH

The fourteenth ordinary general meeting of Timothy Whites and Taylors, Limited, was held, on the 18th instant, at the May Fair Hotel, Berkeley Street, London, W.

Mr Philip E. Hill (chairman of the company), who presided, said: Ladies and gentlemen, You will have seen from the accounts that our profits have been well maintained. Actually, as compared with the previous year, they show a slight increase. This is satisfactory in view of the many trading difficulties which have to be overcome under existing conditions.

During the year under review we have attained a record cash turnover. Records have also been reached in the number of prescriptions dispensed and the number of customers served. That these records have been achieved despite the further depletion of our staff as a result of the continued withdrawal of labour to the Forces or some other branch of national service, indicates the debt we owe to those members of our staff whose services we have been able to retain. I would like to take this opportunity of thanking them for their constant and unwearying efforts.

BUSINESS PROCEEDING SATISFACTORILY

The accounts call for little comment. We have made provision for expenses

which will have to be incurred in the re-conditioning of our branches after the war, while provision for taxation in the accounts of the company and its subsidiaries has been made on the basis of the profits earned.

With regard to the present financial year, there is every indication that business is proceeding satisfactorily.

Our stocks have been well maintained. This is essential if we are to continue to provide our customers with that service which they have grown to expect from Timothy Whites even in war-time.

I trust that when next I have the pleasure of addressing you our hopes of a victorious peace will have been realised.

The chairman concluded by moving the adoption of the report and accounts.

Mr. Louis Nicholas, J.P. (vice-chairman), seconded the resolution, which was carried unanimously.

The recommendations as to dividends were approved.

The retiring directors (Sir Rhys Rhys Williams, Bt., K.C., and Mr J. J. Sainsbury) were re-elected, and the auditors (Messrs Price, Waterhouse and Co.) having been reappointed, the proceedings terminated.

MODDERFONTEIN EAST, LIMITED

(Incorporated in the Union of South Africa)

CONSERVING ESSENTIAL STORES

The annual general meeting of Modderfontein East, Limited, was held in Johannesburg on the 18th instant.

Mr W. M. Frames, who presided, moved the adoption of the report and accounts.

Commenting on the accounts, the chairman said the total profit had amounted to £939,359. Dividends had absorbed £325,782, provision for taxation had amounted to £489,622, and provision for lease consideration had been £128,694.

To effect economies in consumption of essential stores and materials, development had been again severely curtailed, footage advanced amounting to 6,699 feet, a decrease of 18,942 feet compared with the previous year's figure. Payable ore developed had been estimated at 643,116 tons of an average value of 3.8 dwt. per ton.

The available ore reserve had been re-estimated at June 30, 1943, to be 6,712,700 tons of an average value of 3.6 dwt. over a stoping width of 41.7 inches. In comparison with the estimate made at the close of the last financial year, the available reserve had shown a decrease of 455,200 tons, the average stoping width being 0.3 inch lower, while the average value had been unchanged.

LABOUR SHORTAGE

Serious shortage of native labour during the greater part of the year had affected mining operations and resulted on a decreased tonnage of ore milled.

During the year there had been no change in the price received for gold and the rate at which normal income-tax had been payable by the company, but the rate of special contribution had been increased from 20 per cent. to 22½ per cent. as from January 1, 1943. In 1941 a tax of 5 per cent. on dividends payable to shareholders non-resident in the Union had been introduced, and in 1943 that tax had been increased to 7½ per cent.

A large number of the company's European employees was absent on military service.

The report of the proceedings at the meeting would not be circulated to shareholders, but copies could be obtained on application to the head office in Johannesburg or to the London office.

The report and accounts were adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

MINING INDUSTRY'S PROBLEMS

The annual general meeting of the Johannesburg Consolidated Investment Company, Limited, was held, on the 23rd instant, in Johannesburg.

Mr G. H. Beatty, who presided, in the course of his speech said: The strong financial position of the company is fully maintained. The total book value of the assets of £10,366,052 leaves a surplus of assets over liabilities of £7,974,568.

The profit for the year after providing for taxation, for all ascertained and estimated charges and for depreciation, amounted to £881,424, an improvement of £347,675 over the previous year. With the balance of £719,645 brought forward there was an available amount of £1,101,069, which was dealt with as follows: The dividend at the rate of 3s. per share, less United Kingdom income tax, being 1s. per share more than that for the preceding year, absorbed £592,500, and £250,000 was transferred to the reserve fund, leaving a balance of £258,569 to be carried forward.

ABNORMAL CONDITIONS

Conditions are abnormal and the mining industry is working under many disabilities. A comparison between results of the first six months of 1942 and the same period of 1943 is sufficient to indicate the present trend. An acute shortage of native labour was responsible for a fall in tonnage crushed from 33,930,000 tons to 30,148,000 tons, and was primarily responsible for a fall in working profit of £2,575,000 to £1,946,300. Working profits for the current year are being taxed a further 2½ per cent. by an addition to the special contribution, which was increased from 20 per cent. in 1942 to 22½ per cent. this year, and it is inevitable that the year's dividends will be materially less.

The native labour position will probably improve in the course of time, but the fact that working costs have registered a continuous increase is a more serious matter and one for which, at present, no prospect of improvement is in sight. This is a matter of grave concern for the whole community in South Africa. The shareholder, however, need not be unduly perturbed, for the reason that rising costs cut our progressively the lowest grade ore, from which only trifling dividends are paid. It is South Africa that is the loser; it is the mining of ore which produces the bulk of the company's wealth, not the profit which is made from it.

INCREASED REALISATION

At our meeting in November, 1940, I mentioned that the Government had decided to add certain non-existent gold realisation charges amounting to 3.2s. per ounce, to the working costs of the mines, and that thereby anomalies in taxation were, unfortunately, again introduced, in that they formed a tax on the product instead of on profits earned. I also mentioned that these charges fell most heavily on the lowest grade mines. The anomaly has now become apparent. These realisation charges in effect artificially reduce the revenue from gold from 168s. to 164.8s. per ounce. On a low-grade mine such as one in which the costs without these charges exceed 164.8s. per ounce, the realisation charges convert a profit into a loss and have the same effect therefore on the mine as a profits tax levied at over 100 per cent.

The following are the aggregate results of the gold mining companies of the group for the six months ended June 30, 1943:—Tons crushed, 5,815,000; yield, 962,289 ounces; yield per ton, 3,309 dwts.; working costs, £3,928,619; working costs per ton, 20s. 5d.; working costs per ounce fine gold produced, 123s. 3d.; gross profit, including sundry revenue, £2,216,480.

The report was unanimously adopted.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

INCREASED ORE RESERVE

Dr Hans Pirow presided at the annual general meeting of the Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on the 19th instant. Moving the adoption of the report and accounts, the chairman said expenditure charged to capital account during the year under review had been £59,531, mainly in respect of equipment, leaving a balance of working capital on hand of £82,480. Operations at the mine during the year had resulted in a working profit of £96,974. Deducting from that figure a debit balance on income and expenditure account at June 30, 1942, namely, £35,671 and £1,607, being the difference between sundry items of income and expenditure for the current year, left the amount of £59,696 to be carried to appropriation account. After providing £16,502 for taxation and £202 in respect of miners' phthisis outstanding liability, there had remained an unappropriated balance of £42,992 at the close of the financial year.

Development accomplished at No. 1 shaft during the year under review had totalled 26,758 feet, an increase of 10,839 feet compared with the previous year. Reef development had been carried out on all levels from one to seven, and a total of 16,860 feet had been sampled on Carbon Leader, all of which had been classed as payable, the average sampled value being 60.6 dwts. per ton over a width of 13 inches equal to 788 inch dwts. The Sixth Level Main Haulage Drive West was being advanced in the footwall of the reef with all possible speed in order to expedite holing with No. 2 Shaft. Progress during the last few months had been at the rate of over 250 feet per month.

Ore reserve had been re-estimated at June 30, 1943, and had totalled 1,426,000 tons valued at 15.1 dwts. per ton over an assumed stopping width of 45 in. Compared with the tonnage of ore developed at June 30, 1942, it showed an increase of 843,000 tons, value being 0.3 dwts. higher. A shaft pillar had now been defined, and of above total, 593,500 tons valued at 14.4 dwts. per ton had fallen within its limits. A balance of 832,500 tons averaging 15.6 dwts. per ton, would not become available for stopping until connection was made with No. 2 Shaft.

IMPROVED EQUIPMENT

During the year the initial pumping equipment for the mine had been completed and put into operation. The waste pass system to facilitate elimination of waste rock from development faces which were off the reef had been completed from the third to the sixth level and the South Hoist had been equipped with four-ton skips for hoisting that waste from the Sixth Level bin for dumping on the surface. Ventilation had been improved by the installation of a 108 in. diameter fan on the First Level, which exhausted approximately 100,000 cubic feet of air per minute from the mine. It replaced the temporary fan which had been installed below the Fifth Level.

The reduction plant had functioned satisfactorily throughout the year and had been able to mill and treat all ore obtained from development. The erection of an additional rotary slime filter had been completed.

Towards the end of the financial year work had been started at No. 2 Shaft in preparation for a resumption of sinking. The erection of a Ward Leonard hoist at that shaft had been completed and a steam hoist had been overhauled.

Limitation imposed by mining regulations which restricted to 300 the number of persons who could be employed in single outlet mines had resulted in severe restric-

tions on development. Those restrictions had become increasingly serious as development ends had progressed to longer distances from the shaft. At the end of the year, however, permission had been obtained from the Mines Department to increase the number to 450. That would improve the position considerably when native labour became available.

In order to conserve existing stocks of paper it had been decided not to circulate to shareholders the report of the proceedings at the meeting. Copies could be obtained, however, on application to the head office in Johannesburg or to the London office.

The report and accounts were adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

(Incorporated in the Union of South Africa)

DEVELOPMENT POLICY AND ORE RESERVES

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held in Johannesburg on the 18th instant.

Dr Hans Pirow presided, and in moving the adoption of the report and accounts, said the total profit had been £540,152. Dividends had absorbed £265,115, provision for taxation had amounted to £236,450, and provision on account of outstanding liability in respect of miners' phthisis compensation had been £11,886.

Expenditure on capital account during the year had amounted to £13,338, from which had been deducted the sum of £8,248 received in respect of sales of freehold, leaving net capital expenditure of £5,090. The main items of expenditure had been additions to reduction plant, two tube mills and rotary filter which had been on order for a long time and had been delivered during the latter part of the year. Additional expenditure had also been incurred in connection with hoisting and shaft equipment.

Development accomplished during the year totalled 52,375 feet, a decrease of 49,815 feet compared with the previous year's figure. Reduction in development footage had been in conformity with the general policy followed by the gold mining industry to conserve essential stores to the fullest possible extent.

THE ORE RESERVES

Available ore reserve had been re-estimated at June 30, 1943, to be 8,875,100 tons of an average value of 3.6 dwts. over a stopping width of 57.4 inches. Compared with the previous year the available reserve has shown a decrease of 951,800 tons, the average value being higher by 0.1 dwts., while the stopping width had been less by 0.9 inch.

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, but the special contribution had been increased from 20 per cent. to 22½ per cent., as from January 1, 1943. In 1941 a tax of 5 per cent. on dividends payable to shareholders non-resident in the Union had been introduced, and in 1943 that tax had been increased to 7½ per cent.

During the year operations at the mine had been severely hampered by a serious shortage of native labour which was continuing at the present time.

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.

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

PROSPECTS AFFECTED BY LABOUR SHORTAGE

Dr Hans Pirow, the chairman, presided at the annual general meeting of New Modderfontein Gold Mining Company, Limited, held in Johannesburg on the 19th instant.

In moving the adoption of the report and accounts, the chairman said the total profit had been £511,261. Dividends had absorbed £245,000, provision for taxation had amounted to £227,578 and provision on account of outstanding liability in respect of miners' phthisis compensation had been £31,277.

There had been a further reduction in development footage during the period under review, the total amounting to 13,653 feet, a decrease of 16,009 feet compared with the previous year's figure. The payable ore proved had been estimated at 320,300 tons of an average value of 2.6 dwts. per ton, which was a decrease of 265,000 tons compared with the previous year's total, the value being 0.2 dwts. lower. The decrease could be largely attributed to a reduced footage in development brought about by the small extent of favourable areas which still required exploitation. Prospects of developing any considerable new tonnage of payable ore on Upper Leaders were poor and, although development on the Black Reef had proved small isolated blocks of payable ore, occurrence of that reef was limited to a small area near southern boundary.

ORE RESERVE POSITION

The available ore reserve had been re-estimated at June 30, 1943, to be 3,468,200 tons of an average value of 2.7 pennyweights. Compared with the previous year's figure the available reserve had shown a decrease of 1,331,100 tons, the average value being 0.3 dwts. lower, while the stopping width had been 0.1 in. greater. There was little prospect of opening up any large new area of payable ore in the mine and, as indicated to shareholders at last year's meeting, the tonnage contained in reserve must be expected to show a continuous decrease.

The price received for gold and the rate at which normal income-tax had been payable by the company had remained unchanged throughout the year. There had been, however, an increase in the special contribution, which had been raised from 20 to 22½ per cent. as from January 1, 1943. In 1941 a tax of 5 per cent. on dividends payable to shareholders non-resident in the Union had been introduced, and in 1943 that tax had been increased to 7½ per cent.

Throughout the year operations at the

(Continued from page 724)

nesium in 1939; and the American programme has not yet reached its peak. Mr Arthur H. Bunker, Director of War Production Board's Aluminium and Magnesium Division, gave some figures last week of the United States supply of aluminium which show that no less than 1,438,500 short tons of aluminium will be at the disposal of the US Government this year; and output in the fourth quarter this year is already at the annual rate of 1,742,400 short tons, with a number of new plants only now nearing completion. This rate of production is more than ten times as great as United States production in 1939 and between two and three times as great as world production in the last pre-war year—but it includes an unspecified tonnage of aluminium supplied by Canada to the United States. Canada, according to a recent statement by the Munitions Minister (Mr Howe), is now producing over 500,000 short tons of aluminium a year, compared with less than 100,000 tons in 1939. Some 90,000 short tons of Canadian aluminium, scheduled to be sent to the United States next year, have recently been diverted to the United Kingdom, while Russia's allocation for the third quarter of this year had already

mine had been severely hampered by a serious shortage of native labour, which continued at the present time.

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 at the head office in Johannesburg or to the London office.

A large number of the company's European employees was absent on military service.

The report and accounts were adopted.

NOURSE MINES, LIMITED

(Incorporated in the Union of South Africa)

DEVELOPMENT RESULTS

Mr W. M. Frames presided at the annual general meeting of Nourse Mines, Limited, at Johannesburg on the 19th instant. In moving the adoption of the report and accounts, the chairman said that the total profit had been £337,252. Dividends had absorbed £137,141, provision for taxation had amounted to £177,230, and provision on account of outstanding liability in respect of miners' phthisis compensation had been £14,139.

Capital expenditure amounting to £16,209 had been spent on the erection of additional staff married quarters which was referred to in the chairman's address last year, the installation of a further tube mill and additional underground pumping equipment.

Development accomplished during the year had amounted to 8,864 feet, a decrease of 10,162 feet compared with the previous year's total, being due to further curtailment of the company's development programme with the object of conserving essential stores and materials. Payable ore developed had been estimated at 265,700 tons of an average value of 4.4 dwts. per ton. Sinking of No. 3 Incline which had been suspended in the early part of the financial year, had been resumed last June and a normal rate of sinking was being maintained. It had been considered essential to recommence that work, as any further delay in sinking would have rendered difficult the opening up of that lower area in the time necessary to enable it to conform to the working of other parts of the mine.

The available ore reserve re-estimated at June 30, 1943, had totalled 3,043,600 tons of an average value of 4.3 dwts. over an estimated stopping width of 47 inches. In comparison with the position at the last yearly estimate the available reserve had shown a decrease of 383,800 tons, the average stopping width being one inch less while the average value had remained unchanged.

Mining operations had been adversely affected by a serious shortage of native labour which had become progressively worse during the latter half of the year and caused a decrease in the tonnage of ore milled.

There had been no change during the year in the price received for gold and the rate at which normal income-tax had been payable by the company, but the rate of the special contribution had been increased from 20 per cent. to 22½ per cent. as from January 1, 1943. In 1941 a tax of 5 per cent. on dividends payable to shareholders non-resident in the Union had been introduced, and in 1943 this had been increased to 7½ per cent.

The report of the proceedings at the meeting would not be circulated to shareholders, but copies could be obtained on application to the head office in Johannesburg or to the London office.

A large number of the company's European employees was absent on military service.

The report and accounts were adopted.

SECOND INDUSTRIAL TRUST, LIMITED

APPRECIATION ON BOOK VALUES

The thirty-second ordinary general meeting of the Second Industrial Trust, Limited, was held, on the 22nd instant, in London.

Capt. E. C. Eric Smith, M.C., who presided in the absence of the chairman of the company, Mr Sanford Poole, through indisposition, said:

The accounts show a gratifying increase of £2,157 in the gross receipts. It will thus be seen that revenue has risen by upwards of £4,000. United Kingdom taxation absorbs slightly more. We have again no direct liability for N.D.C., though some part of our income has been affected indirectly by this duty or by E.P.T. suffered by those companies in whose equities we are interested.

Our net revenue of £24,709 compares with £23,049. After payment of the 4½ per cent. dividend on the preference shares, the balance represents 6.84 per cent. earned on the ordinary shares. We recommend that the ordinary dividend for the year be maintained at 5½ per cent., less tax, for the sixth successive year. Our investments stand at £1,394,056, a reduction of £5,938. The spread of our investments has not varied much; 70.5 per cent. is invested in Great Britain and the Dominions. Holdings in bonds, debentures and guaranteed stocks have declined from 24.37 per cent. to 23.06 per cent., due largely to the repayment or redemption of debenture issues. Holdings of equity stocks have correspondingly increased from 52.69 per cent. to 54.08 per cent. The depreciation of 11½ per cent. in market value reported a year ago has been entirely disappeared, and we are able to announce an appreciation for the first time since 1937.

Looking ahead, I can only express the hope that we shall meet next year in more peaceful times. I anticipate that our revenue will show no marked variation.

The report was unanimously adopted.

been met before the end of the third quarter. Light metals were most prominent among the few key raw materials in the supply of which the Axis entered the war with a substantial superiority over the United Nations. During the war the Axis has continued to expand its production which, however, was last year outstripped by that of the Allies. This wartime race for aluminium and magnesium supplies will create a difficult post-war problem. World supplies of magnesium after the war will probably be at least ten times as great as they were in 1939, while supplies of aluminium are likely to be four or five times greater. A vast expansion in the use of aluminium and magnesium is thus a necessity. Fortunately their extensive employment in war production has greatly increased technical experience in their use. Reduced production costs, because of large-scale production, will enable light metal producers to fix future prices at much lower levels. But aluminium and magnesium will have to compete with the majority of other metals for many of the latter's old-established uses; and the effects of the wartime expansion in light metal production will make themselves felt on practically all metal markets.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Surplus Stocks of Utility Cotton Goods.—The Board of Trade and the Ministry of Supply have discussed with representatives of the trade associations concerned, arrangements under which the Ministry of Supply will purchase stocks of certain kinds of clothing in order to form a reserve for relief purposes. Only utility goods will be purchased in the first instance, but further notice will be issued if non-utility fabrics are required. Only goods which are held by traders in excess of the stocks required for supplying the civilian market will be dealt with. Information will be given regarding the quantities of each kind of clothing which will be required, and while coupons will be issued to replace the coupon value of goods purchased, there will be no replacement of raw material for fresh manufacture. These arrangements do not apply to knitted goods, which will be the subject of a separate announcement.

Iron and Steel.—The Minister of Supply has made the Control of Iron and Steel (No. 32) Order (SR and O, 1943, No. 1530), which came into force on November 3, 1943, and revokes and consolidates the Control of Iron and Steel (Nos. 15-20, 22, 23, 26, 28 and 31) Orders, 1941-3. The Order also extends control to niobium and tantalum ores and all chemical compounds of molybdenum, tungsten or vanadium (exclusive of catalysts or pigments). It permits stockholding merchants to prepare material supplied against an authorisation under the distribution scheme to the extent covered by that authorisation. In other cases stockholders may perform simple operations such as cutting and holding. Where a re-sale is made at the request of the Minister of Supply involving additional transport costs, he may authorise an addition to the maximum controlled price. The Order also authorises a number of price changes.

Paper Ration for Periodicals.—An increase in the quantity of paper which may be used in the production of news-bulletins, magazines and periodicals, is permitted under the Control of Paper (No. 48) Order, 1942, Direction No. 8, issued by the Minister of Supply. The rate for the four months from November 1, 1943, to February 29, 1944 (and any subsequent four-monthly period from March 1st, July 1st or November 1st in any year) will be 7½ per cent as compared with the previous figure of 6½ per cent of the amount of paper consumed of the standard. The allowance for similar publications published since the outbreak of war is fixed on a comparable basis.

Bacon-curing Industrial Council.—The National Joint Industrial Council for the bacon-curing industry was set up last week. It is composed of representatives of five employers' associations and five trade unions, and the scope of the Council will cover the regulation of wages in the industry and also a wide range of subjects upon which joint consultation may be pursued dealing with matters affecting the progress and well-being of the industry.

Combined Food Board.—Canada is to become a member of the Combined Food Board in Washington, which was set up in June, 1942.

"The Economist" Sensitive Price Index.—This Index has remained unchanged at 149.7 (1935=100).

COST OF LIVING INDEX

July, 1914=100

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	Total
Sept., 1939.....	138	162	205-210	180-185	180	155
" 1940.....	166	164	295	212	219	187
" 1941.....	166	164	380-385	228	230	199
" 1942.....	160	164	395-400	240	265	200
Sept., 1942.....	160	164	395-400	240	265	200
Oct., ".....	162	164	390	241	266	200
Sept., 1943.....	166	164	345	244	291	198
Oct., ".....	168	164	340-345	244	291	199
Nov., ".....	168	...	...	...	...	199

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

THE MONEY MARKET.—The supply of credit in the money market has again been barely adequate to meet requirements, although the market's contribution to Government floating debt borrowing has been on a small scale. Treasury Deposit Receipt payments of £40,000,000 have this week exceeded effective maturities by about £15,000,000, while Treasury bill payments of £90,000,000 have equalled the maturities. Credit conditions have been strained by the clearing banks' November making-up, which has been in full swing during the week. This factor is reflected in this week's Bank return. Bankers' balances at £183,168,000 are at a level which would have indicated exceptionally comfortable credit conditions, were it not for the banks' window dressing. The special assistance given to the market this week by official purchases of bills, is shown in the rises of £34,965,000 in Government securities

and of £5,054,000 in Other securities. The building up of bankers' balances preparatory to the December dividend payments is not yet apparent in the Bank return, which shows Public deposits £1,768,000 lower at £6,753,000, but it is a factor which should tend to keep money in short supply between now and the end of the month. The note circulation continues its steady climb, the past week's advance amounting to £5,365,000 and reducing the reserve of unissued notes to £31,194,000, a figure which suggests that further reinforcement of the reserve through an increase in the fiduciary issue will be required before the end of the year.

MONEY RATES, LONDON.—The following rates remained unchanged between Nov. 19th and Nov. 25th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 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 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Nov. 19th and Nov. 25th. (Figures in brackets are per cent of exchange.)

United States. \$ (4.862) 4-02½-03½; m.a. transfers 4-02½-03½. **Canada.** \$ (4.862) 4-43-47; m.a. transfers 4-43-47. **Switzerland.** Francs (25.23) 17-30-40. **Sweden.** Krona (18.159) T.T. 16-85-95. **Dutch West Indies.** Florin (12.11) 7-58-62; 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 c. (buying). **Uruguay.** 7-6597 p. (buying).

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

Market Rates.—The following rates remained unchanged between Nov. 19th and Nov. 25th:

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½ d. **Belgian Congo.** Francs 176½-1. **China.** National \$3-3½. **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. Rate for payment into Argentine special account: 16-03 pesos.

Forward Rates.—Forward rates for one month have remained unchanged as follows: **United States.** ½ cent pm.-par. **Canada.** ½ cent pm.-par. **Switzerland.** 5 cents pm.-par. **Sweden.** 3 ore pm.-par.

NEW YORK EXCHANGE RATES

New York on	Nov. 17	Nov. 18	Nov. 19	Nov. 20	Nov. 22	Nov. 23	Nov. 24
Cables:—							
London.....	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½
Montreal.....	89-500	89-250	89-125	89-125	89-180	89-250	89-250
Zurich.....	38-35	38-35	38-35	38-35	38-40	38-75	38-75
B. Aires.....	25-05*	25-10*	25-10*	25-10*	25-10*	25-10*	25-10*
Rio.....	5-15	5-15	5-15	5-15	5-15	5-15	5-15
Lisbon.....	4-10	4-10	4-10	4-10	4-10	4-10	4-10
Barcelona.....	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm.....	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official buying rate 29.78.

† Free rate.

Irish Banks' Return.—The returns for the banks operating in Eire for the September quarter, published by the Central Bank, are as follows:—

	Sept. Quarter, 1942	June Quarter, 1943	Sept. Quarter, 1943	In Eire	Elsewhere	Total
Liabilities:—						
Capital, reserves, etc.	17,637	17,676	10,440	7,625	17,705	17,705
Notes in circulation	16,683	17,918	5,141	12,343	17,484	17,484
Current deposit and other accounts	205,858	221,700	162,582	64,251	226,833	226,833
Other liabilities	8,521	8,534	7,293	1,947	9,538	9,538
Total.....	248,701	265,829	185,455	85,808	271,263	271,263
Assets:—						
Cash and Balances with London	32,098	34,416	10,119	23,925	34,044	34,044
Money at call and short notice	18,349	17,287	18,792	18,792	18,792	18,792
Bills	4,113	4,137	3,461	331	3,792	3,792
Loans and advances	64,686	63,130	42,964	20,085	63,056	63,056
Investments: (a) Government	109,767	126,621	7,728	123,042	130,770	130,770
(b) Others	9,204	9,722	4,587	5,202	9,789	9,789
Other assets	10,480	10,514	6,487	5,202	11,022	11,022
Total.....	248,701	265,829	75,306	195,956	271,263	271,263
Excess of Assets outside Eire over Liabilities outside Eire	93,794	106,171	...	...	110,148	110,148

The features that have characterised Irish banking since the beginning of the war continue with monotonous regularity. Deposits expand, but such is the absence of profitable investment opportunities that loans and advances steadily contract. The banks' assets are gradually moving from the higher earning to the lower earning categories with the result that profits are not increasing at all proportionately with the increased resources. The accumulation of net sterling assets has reached a new peak, caused mainly by the huge volume of remittances from workers in Great Britain. Eire, being a strong creditor country, is not able to utilise these sterling assets to redeem external liabilities. They will continue to increase, therefore, until the period of restocking after the war when, it is to be hoped, they will purchase many sadly-needed imports.

(Continued on page 732)

GOVERNMENT RETURNS

For the week ended Nov. 20, 1943, total ordinary revenue was £39,521,000, against ordinary expenditure of £94,376,000, and issues to sinking funds of £250,000. Thus, including sinking fund allocations of £8,894,860, the deficit accrued since April 1st is £2,057,207,000 against £1,916,685,000 or the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to Nov. 21, 1942	April 1 to Nov. 20, 1943	Week ended Nov. 21, 1942	Week ended Nov. 20, 1943
ORDINARY REVENUE					
Income Tax.....	117,500	339,412	433,551	9,024	8,355
Sur-tax.....	80,000	16,924	16,661	490	550
State, etc.,	100,000	58,767	61,861	1,660	1,868
Duties.....	17,000	8,740	10,980	920	200
Stamps.....	500,000	17,470	20,243	606	630
C.D.C.....	500,000	213,891	315,635	6,950	11,472
P.T.....	1,000	290	238	...	...
Other Ind. Rev.	1,000	290	238	...	...
Total Ind. Rev.	187,500	655,494	859,169	19,650	23,075
Customs.....	525,320	298,049	345,525	10,774	9,447
Excise.....	450,180	271,000	302,800	4,100	4,400
Total Customs & Excise	975,500	569,049	648,325	14,874	13,847
Motor Duties.....	25,000	6,047	5,128	...	104
Canadian Govt. Contribution (Net Receipts)	...	195,265	...	...	...
P.O. (Net Receipts)	400	12,100	...	400	...
Wireless Licences	4,700	2,050	2,190	...	...
Crown Lands	800	620	650	...	...
Receipts from Sundry Loans	4,100	2,097	4,410	422	391
Miscellaneous Receipts	24,000	70,684	49,209	3,832	2,104
Total Ord. Rev.	2,907,500	1,513,406	1,569,082	39,178	39,521
SELF-BALANCING P.O. & Brdcastg.	110,632	64,200	70,600	1,800	2,400
Total.....	3,018,132	1,577,606	1,639,682	40,978	41,921

Expenditure	Estimate 1943-44	April 1 to Nov. 21, 1942	April 1 to Nov. 20, 1943	Week ended Nov. 21, 1942	Week ended Nov. 20, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	375,900	215,481	244,009	763	1,226
Payments to N. Ireland.....	9,500	4,695	4,340	...	...
Other Cons. Fund Services.....	7,500	3,955	3,770	...	...
Total.....	392,900	224,131	252,119	763	1,226
Supply Services.....	536,671	319,792	336,524	10,760	93,150
Total Ord. Exp.	575,871	342,209	361,793	108,393	94,376
SELF-BALANCING P.O. & Brdcastg.	110,632	64,200	70,600	1,800	2,400
Total.....	586,503	346,409	368,793	110,193	96,776

change has been made in the method of showing excess of Post Office Expenditure over Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £1,406 to £2,734,082, the other operations of the week (no longer shown separately) led the gross National Debt by £443,259 to £18,904 million.

NET ISSUES (£ thousands)	200
and Telegraph.....	1,307
Damage Act.....	54
Seas Trade Guarantees.....	1,561
NET RECEIPTS (£ thousands)	121
Seas Trade Guarantees.....	121

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Nov. 21 1942	1030.0	Not available	...	...
July 17 1943	1165.0	...	...	...
" 24 1943	1170.0	...	...	...
" 31 1943	1170.0	...	...	...
Aug. 7 1943	1170.0	...	...	...
" 14 1943	1170.0	...	...	...
" 21 1943	1170.0	...	...	...
" 28 1943	1170.0	...	...	...
Sept. 4 1943	1170.0	...	...	...
" 11 1943	1170.0	...	...	...
" 18 1943	1170.0	...	...	...
" 25 1943	1170.0	...	...	...
Oct. 2 1943	1170.0	...	...	...
" 9 1943	1170.0	...	...	...
" 16 1943	1170.0	...	...	...
" 23 1943	1170.0	...	...	...
Nov. 6 1943	1170.0	...	...	...
" 13 1943	1170.0	...	...	...
" 20 1943	1170.0	...	...	...

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Nov. 20 1942	85.0	178.6	85.0	20.0	33
July 30 1943	90.0	182.8	90.0	19.11	30
Aug. 6 1943	90.0	195.6	90.0	20.0	28
" 13 1943	90.0	182.5	90.0	19.11	30
" 20 1943	90.0	175.1	90.0	20.0	38
" 27 1943	90.0	194.0	90.0	20.2	29
Sept. 3 1943	90.0	200.4	90.0	20.2	26
" 10 1943	90.0	193.1	90.0	20.0	29
" 17 1943	90.0	183.6	90.0	19.11	41
" 24 1943	90.0	188.8	90.0	19.10	37
Oct. 1 1943	90.0	190.2	90.0	19.11	28
" 8 1943	100.0	199.8	100.0	20.0	35
" 15 1943	100.0	196.3	100.0	19.11	32
" 22 1943	100.0	181.8	100.0	20.0	41
" 29 1943	100.0	193.4	100.0	20.0	35
Nov. 5 1943	90.0	191.5	90.0	20.0	23
" 12 1943	90.0	197.5	90.0	20.0	27
" 19 1943	90.0	190.4	90.0	20.0	29

On Nov. 19th applications at £9 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 29 per cent of the amount applied for, and applications at higher prices in full. Applications at £9 15s. for bills to be paid for on Saturday were accepted on Nov. 26th. For the week ending Nov. 27th, the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

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

(£ thousands) .				
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Sept. 14	4,565	1,413	4,772	8,338
" 21	5,437	1,393	6,272	15,651
" 28	5,626	1,386	6,597	12,328
Oct. 5	5,453	1,537	7,510	11,514
" 12	5,080	1,767	6,522	11,427
" 19	5,017	1,818	7,981	12,715
" 26	4,767	1,594	6,916	6,421
Nov. 2	5,162	1,062	4,493	11,353
" 9	4,747	1,861	5,690	23,049
" 16	5,013	2,029	5,606	9,728
" 23	...	...	5,512	6,383
Totals to date ..	967,837	640,261	1408,877	6507,351

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s	Nov. 19, 1942	Nov. 4, 1943	Nov. 12, 1943	Nov. 18, 1943
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	20,549	19,832	19,805	19,803
Total reserves	20,809	20,261	20,234	20,250
Total cash reserves	242	315	300	319
Total U.S. Govt. sec's	4,695	9,476	9,865	9,832
Total bills and sec's	4,718	9,526	9,899	9,878
Total resources	27,201	31,559	31,856	32,297
LIABILITIES				
F.R. notes in circ.	11,447	15,760	15,918	15,974
Excess m. bank res.	2,490	1,080	1,080	1,100
Mr. bank res. dep.	12,622	12,069	12,198	12,263
Govt. deposits	300	334	369	407
Total deposits	14,173	14,071	14,283	14,384
Total liabilities	27,201	31,559	31,856	32,297
Reserve ratio	81.2%	67.9%	67.0%	66.7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,741	22,116	22,096	22,096
Treasury & bank currency	3,375	4,106	4,100	4,101
LIABILITIES				
Money in circulation	14,465	19,354	19,514	19,559
Treasury cash and dep.	2,549	2,632	2,666	2,700

CENTRAL BANK OF IRELAND

Million £'s.	Oct. 23, 1943	Oct. 1943	Nov. 6, 1943	Nov. 23, 1943
ASSETS				
Gold	21.65	22.15	22.65	22.65
British Govt. sec's	1.77	1.72	2.10	1.91
LIABILITIES				
Notes in circulation	26.26	26.73	27.09	27.38

BANK OF CANADA

Million Can. \$'s

	Oct. 21, 1942	Oct. 6, 1943	Oct. 13, 1943	Oct. 20, 1943
ASSETS				
Reserve: Gold	0.8	44.4	48.8	46.2
Other	953.6	1178.0	1176.0	1189.7
LIABILITIES				
Note circulation	649.2	822.9	827.8	831.8
Deposits: Dom. Govt.	42.6	74.6	69.9	64.0
Chartered banks	239.4	303.1	328.0	308.5

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

CENTRAL BANK OF TURKEY

Million Turkish pounds

	Aug. 22, 1942	Aug. 21, 1943	Aug. 28, 1943	Sept. 1943
ASSETS				
Gold	138.6	201.7	201.7	201.7
Clearing and other exch.	54.2	64.7	66.3	69.6
Treasury bonds	134.5	132.4	132.4	131.9
Commercial bills	332.4	402.1	401.9	430.3
Securities	55.3	62.3	62.3	62.0
Advances	258.0	257.7	255.9	255.3
LIABILITIES				
Notes in circulation	609.5	722.1	722.8	746.5
Deposits	188.1	223.3	214.5	222.2
Clearing and other exch.	24.6	29.6	30.3	35.9

RESERVE BANK OF INDIA

Million rupees

	Nov. 6, 1942	Oct. 15, 1943	Oct. 22, 1943	Oct. 29, 1943	Nov. 5, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	198	133	139	136	126
Balances abroad	863	1,086	1,192	1,404	1,389
Sterling securities	3,408	6,748	6,748	6,748	6,848
Ind. Govt. rup. sec's	1,324	584	583	583	583
Investments	67	74	103	68	72
LIABILITIES					
Notes in circ.: India	5,274	7,765	7,764	7,821	7,906
Burma	145	396	516	599	640
Deposits: Govt.	681	680	685	718	664
Banks	71.7%	90.9%	90.9%	90.9%	91.2%
Reserve ratio					

REICHSBANK

Million reichsmarks

	Oct. 31, 1942	Sept. 30, 1943	Oct. 23, 1943	Oct. 30, 1943
ASSETS				
Gold and foreign currencies	24,641	35,010	35,275	36,117
Bills and cheques	77	77	78	77
Rentenbank notes	247	416	468	457
Advances	13	22	15	17
Securities: for note cover	63	1	1	1
Other assets	1,728	1,984	1,459	2,089
LIABILITIES				
Notes in circulation	22,600	30,099	29,770	30,922
Daily maturing liabilities	2,887	5,601	5,714	5,967
Other liabilities	733	966	974	1,055

BRITISH WHOLESALE PRICES

	Nov. 16, 1943	Nov. 23, 1943
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 49b lb. f.o.b. St. J.	50 8	50 8
Eng. Gaz. av. per cwt. (e)	14 9	14 9
Flour per 280 lb.		
Straights d/d London	38 3	38 3
Barley Eng. Gaz. av. per cwt. (e)	27 6	27 8
Oats (e)	14 11	14 11
Maize, Argentine, per ton	10/0/0	10/0/0
MEAT—Beef, per 8 lb.		
English long sides	5 4	5 4
Imported hinds	6 7	6 7
Mutton, per 8 lb.—English	8 0	8 0
Imported	5 2	5 2
Pork, English, per 8 lb.	142 0	142 0
BACON—(per cwt.)—Wilt, cut side	147 0	147 0
HAMS—(per cwt.)—Green		
OTHER FOODS		
BUTTER (per cwt.)—All Grades	151 4	151 4
First hand		
ONIONS (per cwt.)—		
Home Produced	99 2	99 2
Imported	99 2	99 2
COCONUTS (per cwt.)—		
Acacia, 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	200 0
14 9	14 9	14 9
EGGS (per 120)—English	64 0	64 0
LARD (per cwt.)—Imported	5 0	5 0
English		
SUGAR (per cwt.)—		
Centrifugals, 96%, prpt. shipm.		
c.f.f. U.K./Cont.		
REFINED LONDON		
Granulated, 2 cwt. bags, domestic	49 10	49 10
Granulated, 2 cwt. bags, domestic consumption	30 11	30 11
47 6	47 6	47 6
West India Crystallised	50 10	50 10
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	0 10	0 10
Rhodesian, stemmed and unstemmed	2 10	3 0
1 0	1 0	1 0
3 6	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 Wef	17.80	17.80
60's Twist (Egyptian)	26.50	26.50
Cloth, per 100 yards		
31 in. Printer, 64 x 64	35 11	35 11
36's & 42's	47 2	47 2
Cambric Shirting, 32½ in.		
72 x 60, 24's & 24's		
TEXTILES—continued		
COTTON—continued		
Cloth, Overall Cloth, 38½ in.	s. d.	s. d.
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)—		
Perman HD	Nom.	Nom.
HEMP (per ton)—Manilla, spot	Nom.	Nom.
JUTE (per ton)—		
Daisie 2/3 c. and f. Dundee	36/15/0	37/10/0
Common 8 lb. cops. (per spindle)	4 10	4 10
10/40 Hessians, per yd.	0 6 75	0 6 75
8/40 Hessians, per yd.	0 5 20	0 5 20
10/40 Calcutta Hessians, spot, Dundee, 100 yds.	50 1	50 1
74/40	38 6	38 6
SISAL (per ton)—African, spot	34 0	34 0
—No. 1 delivered		
WOOL (per lb.)—		
Lincoln wethers, washed	d.	d.
Selected blackface, greasy	19 1	19 1
Australian scd. fleece 70's	37 14	37 14
Cape scd. average snow white	29 2	29 2
N.Z. scd. 2nd pieces, 50-56's	24	24
64's warp	45	45
56's super carded	39	39
48's average carded	31	31
44's prepared	29 2	29 2
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	s. d.	s. d.
Durham, best gas, f.o.b. Tyne	37 9	37 9
c.f.f. U.K./Cont.	31 7	31 7
32 7	32 7	32 7
IRON AND STEEL (per ton)—		
Fig. Cleveland No. 3, d/d	128 0	128 0
Bars, Middlesbrough	312 6	312 6
Steel rails, heavy	290 6	290 6
Tinplates (home i.c. 14 x 20)	29 9	29 9
NON-FERROUS METALS (per ton)—		
Copper (c)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	275/0/0	275/0/0
Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Spelter (d)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0	190/0/0
Antimony, English, 99%	120/0/0	120/0/0
Wolfram, Empire	2/15/0	2/15/0
Platinum, refined	5/0/0	5/0/0
Quicksilver	68/10/0	68/10/0
GOLD (per fine ounce)	s. d.	s. d.
SILVER (per ounce)—		
Cash	1 11½	1 11½
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area in paper bags or jute sacks 20 to ton—(a)		
6-ton loads and upwards per ton	s. d.	s. d.
Acid, Oxalic, net	60/0/0	60/0/0
Tartaric, English, less 5% .lb.	s. d.	s. d.
Ammonia, Sulphate	9/16/0	9/16/0
Nitrate of Soda	10/14/0	10/14/0
Potash, Sulphate	18/15/0	18/15/0
Soda Bicarb.	11/0/0	11/0/0
Soda Crystals	5/7/6	5/7/6
COPRA (per ton)—S.D. Straits c.i.f.	Nom.	Nom.
HIDES (per lb.)—		
Wet salted Australian, 40/50 lb.	0 8½	0 8½
Queensland	0 8	0 8
Cape, J'burg Ord.	0 8	0 8
Dry Capes, 18/20 lb.	0 9½	0 9½
English & Welsh Market Hides—		
Best heavy ox and heifer	0 6½	0 6½
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 9	1 9
Shoulders, Insole to Welting	1 3	1 3
Bellies	2 4	2 4
Dressing Hides	1 10	1 10
PETROLEUM PRODUCTS (per gal.)—		
Motor Spirit, England & Wales	1 10	1 10
(b) Kerosene, Burning Oil	1 0½	1 0½
(c) Vaporising Oil	1 1	1 1
Automotive gas oil, in bulk, ex road tank waggons	1 7½	1 7½
Fuel oil, in bulk, England and Wales—		
Furnace	0 10½	0 10½
Diesel	0 11½	0 11½
ROBIN (per ton)—American	42/0/0	42/0/0
RUBBER (per lb.)—		
St. ribbed smoked sheet	1 6	1 6
SHALLAO (per ton)—TN Orange	205/0/0	205/0/0
TALLOW (per ton)—London Town	43/10/0	43/10/0
VEGETABLE OILS (per ton net)—		
Linseed, raw	50/0/0	50/0/0
Rape, crude	60/0/0	60/0/0
Cotton-seed, crude	52/2/6	52/2/6
Coconut, crude	49/0/0	49/0/0
Palm	42/5/0	42/5/0
Oil Cakes, Linseed, Indian, ex-mill	11/2/6	11/2/6
Bombay	33/10/0	Nom.
Calcutta	34/0/0	Nom.

(a) & 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. (d) Including import duty and delivery charges. (e) Average for weeks ended Nov. 13 and Nov. 20. (f) Price at which Ministry of Supply supplies consumers delivered wares.

COMPANY RESULTS (November 10, 1943, to November 24, 1943)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	+ or - Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Atkinson's Brewery	Sept. 30	113,573	...	41,208	203,586	11,950	24,000	10	...	+ 5,258	110,305	59,065	10
Bass, Ratcliff & Gretton	Sept. 30	1,686,376	...	522,980	1,356,455	68,000	447,128	20	...	+ 7,852	1,560,942	525,820	20
Bristol Brewery (Georges & Co.)	Sept. 30	565,831	...	219,401	375,544	21,958	163,056	18	42,000	+ 7,613	590,465	218,554	18
Bristol United Breweries	Sept. 30	170,819	...	105,792	154,006	13,800	61,662	15	30,000	+ 130	167,571	104,159	15
Massey's Burnley Brewery	Sept. 30	102,087	...	45,396	74,836	18,000	24,750	54	...	+ 2,646	95,662	40,895	54
Mitchells & Butlers	Sept. 30	1,853,708	...	397,731	969,687	30,000	339,409	7 & 21	...	+ 28,322	1,564,562	372,406	7 & 21
Moors' and Robson's Breweries	Sept. 30	176,774	...	52,943	103,899	4,452	39,787	25	10,000	+ 1,296	187,394	57,989	25
Stroud Brewery	Sept. 30	256,777	11,792	72,312	89,055	4,690	42,936	17½	25,000	+ 314	267,659	67,857	17½
Younger (Robert)	Sept. 30	13,143	...	11,643	31,856	2,500	9,000	22½	...	+ 143	12,996	11,496	22½
Coal, Iron and Steel													
Braby (Frederick) & Co.	Sept. 30	326,950	30,673	31,105	93,459	6,756	23,469	10	...	+ 880	309,631	31,054	10
Instone (S.) & Co.	June 30	44,835	...	11,281	139,560	...	...	...	...	+ 11,281	44,049	14,484	11
Osborn (Samuel) & Co.	July 31	55,916	...	55,916	182,856	7,183	22,068	15	25,000	+ 1,665	54,630	54,630	15
Sneyd Collieries	June 30	80,070	...	33,833	137,973	3,825	26,250	17½	...	+ 3,758	92,104	29,321	17½
Spencer (Walter) & Co.	Sept. 30	59,153	7,526	13,538	35,673	...	6,250	12½	5,000	+ 2,288	55,350	17,936	12½
Electric Lighting & Power													
Perak River Hydro-Electrical Power	July 31	2,728	...	Dr. 38,821	Dr. 1,156	...	...	...	...	- 38,821	167,761	Dr. 4,445	Nil
Financial, Land, &c.													
Anglo-Scottish Amalgamated Corp'n.	Sept. 30	74,742	27,421	18,270	54,175	...	18,270	12	...	...	35,660	12,746	9
Cambuy Coffee and Cotton	Dec. 31	81,404	...	35,145	38,822	...	31,500	15	...	+ 3,645	25,170	9,140	15
International Financial Society	Sept. 30	32,657	...	6,580	6,580	6,000	...	...	580	...	32,799	6,455	Nil
Lennards Real Property	Dec. 31	36,822	...	11,350	12,002	...	3,375	4½	...	+ 475	17,937	8,712	Nil
London & Colonial Investment	Sept. 31	3,765	...	12,668	26,670	3,782	4,973	6	3,000	+ 913	13,064	11,944	5
New Zealand & Australian Land Co.	Mar. 31	309,334	...	60,395	75,309	25,000	25,000	2	10,000	+ 395	243,078	70,106	12
Odhams' Properties	Mar. 31	155,806	...	79,656	82,060	18,000	60,900	12	...	+ 756	158,823	79,665	12
Rosehaugh Co.	June 30	17,835	...	8,501	9,902	3,601	3,568	4	1,500	+ 32	16,893	10,840	3
West London Property Corporation	Mar. 31	234,379	...	1,171	12,184	...	...	...	...	+ 1,171	197,055	445	Nil
Hotels, Restaurants, &c.													
Palace and Derby Castle	Oct. 31	15,749	1,250	6,574	9,691	6,000	...	...	...	+ 574	10,509	57	Nil
Strand Hotel	Sept. 30	99,251	...	99,257	130,503	68,000	23,000	460	...	+ 8,257	98,000	98,000	460
Motor, Aviation, &c.													
Rover Company	July 31	123,748	...	102,951	168,770	...	55,676	7½	46,600	+ 675	112,425	91,782	17½
Westland Aircraft	June 30	43,523	...	38,414	58,521	...	16,000	4	20,000	+ 2,814	44,827	39,134	4
Rubber													
Buntar Rubber Estates	June 30	223	...	Dr. 647	Dr. 4,560	...	...	...	...	...	647	1,246	Dr. 2,500
Chimpur Rubber Estates	June 30	2,523	...	4,273	4,125	...	...	...	...	...	3,934	2,084	Nil
Jurian Sebatang Rubber	Mar. 31	254	...	3,294	3,145	...	...	...	...	...	1,470	62	Nil
Ordian (Malaya) Rubber	Dec. 31	611	...	Dr. 4,848	6,280	...	...	...	...	...	4,848	42,813	5,450
Penang Rubber	Mar. 31	24,574	...	8,632	11,099	...	7,809	6½	...	+ 823	24,118	8,653	6½
Peritjap Rubber	Sept. 30	320	...	Dr. 3,730	2,311	...	...	...	Dr. 5,394	+ 1,664	6,219	Dr. 4,008	
Peritjap Rubber	Dec. 31	261	...	Dr. 14,088	Dr. 8,063	...	...	...	Dr. 9,200	+ 4,888	23,049	4,913	Nil
Shops and Stores													
British Overseas Stores	June 30	37,929	...	10,461	23,590	...	12,316	5	...	- 1,855	48,970	Dr. 23,162	5
Woolly Retailers	June 30	Dr. 4,623	496	...	Dr. 2,872	...	...	...	...	- 6,803	5,515	Dr. 1,609	Nil
Tea													
Ceylon Tea Estates	Mar. 31	6,777	...	Dr. 111	111	...	...	...	...	...	111	14,136	543
Ceylon and Indian Planters	June 30	16,265	1,513	9,581	12,680	1,500	5,280	8	400	+ 2,401	29,236	10,627	8
Empire of India and Ceylon Tea	Dec. 31	187,154	...	35,277	46,893	10,950	23,688	6	...	+ 639	112,612	35,101	6
Angalia Consolidated	Dec. 31	21,774	1,000	8,732	9,317	...	7,740	10	1,000	...	8	19,711	6,855
Yon Tea Estates	Dec. 31	17,171	...	1,583	3,638	...	1,487	5	...	+ 96	14,387	2,342	5
Textiles													
Arkle's Limited	June 30	122,920	15,000	10,086	21,768	11,562	8	...	...	- 1,476	146,673	23,790	8
North British Rayon	June 30	55,666	21,824	10,526	49,597	2,250	7,219	7½	25,000	- 24,143	54,130	14,516	Nil
Trusts													
Peritjap (Percy) Investment Trust	June 30	23,175	...	5,364	7,481	3,025	900	3	1,500	- 61	20,320	3,861	3
British & Cont. Plantations Trust	Sept. 30	2,670	...	518	1,857	...	...	...	...	+ 518	3,120	Dr. 88	Nil
Investors' Mortgage Security	Sept. 30	199,428	...	72,247	99,037	28,359	35,922	9½	10,000	+ 2,034	198,183	68,303	9½
London Industrial Trust	Sept. 30	41,455	...	24,709	65,512	9,825	11,969	5½	...	+ 2,915	39,766	23,049	5½
Other Companies													
Peritjap Tea Chest Co.	Aug. 31	57,058	2,500	18,331	30,420	6,400	9,500	10	...	+ 2,431	88,925	13,350	74
Agar Cross & Co.	June 30	180,334	...	Dr. 55,807	30,484	...	...	...	...	- 55,807	128,281	91,385	Nil
Allen & Hanbury's	June 30	266,860	...	46,707	85,500	31,500	15,060	15	...	+ 147	214,292	49,042	15
Birrell Limited	July 17	31,999	...	467	29,258	14,000	...	...	...	- 13,533	32,345	14,727	Nil
Bucknall (Henry) & Sons	May 31	62,244	4,470	19,668	21,626	18,000	...	...	...	+ 1,668	51,724	25,176	Nil
Bursledon Brick Co.	Aug. 4	20,346	500	105	3,600	850	...	...	...	- 955	1,448	773	Nil
Castle Brothers (Furniture)	Aug. 4	20,346	...	6,463	9,372	1,375	4,125	7½	...	+ 963	26,853	6,632	6
Clarke (W. G.) & Sons	Oct. 31	44,871	...	39,371	55,626	18,750	16,000	4	5,000	+ 379	41,153	39,296	4
Cabletrey Electrical Industries	Oct. 31	61,176	...	59,025	81,183	8,750	52,500	17½	...	+ 2,225	63,088	63,790	17½
Dancer and Hearne Bros	July 31	23,497	...	9,778	37,000	10,350	116,115	8	5,000	+ 10,117	17,067	10	8
Electric and Musical Industries	June 30	(c) 130,607	...	(c) 127,500	129,657	15,000	12,500	10	50,000	+ 5,948	97,695	85,194	10
Fairfield Shipbuilding & Engineering	June 30	34,981	51,859	71,285	146,234	17,500	18,000	6½	35,000	+ 785	132,355	45,967	6½
Ferranti Limited	June 30	35,705	1,207	15,858	114,587	5,269	10,504	20	...	+ 85	18,042	7,970	5
Financial News Limited	June 30	113,271	25,262	23,666	30,679	6,660	12,500	25	...	+ 4,506	130,474	24,197	25
Genatons Limited	June 30	12,051	2,484	Dr. 3,918	20,633	...	...	...	...	- 3,918	23,265	21,344	Nil
Herrburger, Brooks	June 30	48,299	3,547	10,741	12,798	2,686	7,558	6	...	+ 497	33,939	10,502	6
Lawes Chemical Co.	July 31	63,750	11,094	14,222	15,771	6,412	1,780	20	6,000	+ 30	58,704	7,499	10
Meland & Impey	Mar. 31	125,142	42,876	33,090	66,441	35,000	...	...	...	+ 1,571	135,759	27,463	3
Odhams (Watford)	June 30	136,671	...	28,708	221,607	7,200	19,937	3	...	+ 99	208	14	Nil
Rosario Drainage	June 30	99	...	99	160	...	...	...	...	+ 2,429	10,704	5,224	Nil
Simons & Co.	June 30	19,374	...	8,991	11,106	6,562	...	...	...	+ 3,253	64,899	48,454	6
Skinner (Thomas) & Co.	Mar. 31	120,412	...	32,003	39,645	13,750	15,000	6	...	+ 4,300	84,875	58,648	14½
Tuck (Raphael) & Sons	April 30	86,976	...	60,800	172,758	13,000	43,500	14½	...	+ 9,300	26,358	8,916	3
Walmesley (Bury)	Sept. 30	...	...	...	23,394	...	7,125	7½	...	...	...	...	...
Yorkshire Dyeing and Proofing	June 30	50,220	8,884	17,055	23,394	...	...	...	...	...	...	...	...
Totals (1000's)													
November 12, 1943, to Nov. 26, 1943	73	9,444	273	2,896	6,741	624	1,963	...	343	- 34	8,837	3,048	...
January 1, 1943, to November 26, 1943	1,785	358,351	29,074	151,779	254,286	38,320	92,025	...	17,485	+ 3,949	344,645	146,949	...

(Continued from page 728)
INVESTMENT
Stock Exchanges: London
 "FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Nov. 18	4,546	4,826	100.7	134.4
" 19	4,561	4,576	101.1	134.3
" 22	5,375	5,858	101.4	134.3
" 23	3,913	4,861	101.4	134.3
" 24	4,057	4,841	101.3	134.3

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average Closed	Transactions Closed	1943	Average Closed	Transactions Closed
Nov. 11	111.6	796,000	Nov. 15	111.1	682,000
" 12	111.6	796,000	" 16	110.6	622,000
" 13	111.1	314,000†	" 17	110.0	828,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

(WEEKLY AVERAGES) (1935-36-100)

	1943		Nov. 3, 1943	Nov. 10, 1943	Nov. 17, 1943
	Low Jan. 6	High July 13			
37 Industrials	81.1	103.5	95.4	92.9	90.9
32 Rails	72.6	99.9	90.2	85.6	85.4
40 Utilities	67.9	89.6a	86.8	84.7	84.4
419 Stocks	78.5	100.9	93.8	91.2	89.6
Av. yield %*	5.36	4.35	4.72	4.86	5.03

* Common Stocks. (a) Aug. 25.

Capital Issues

Week ending November 27, 1943	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 729.			
Year†	Including Conversions £	Excluding Conversions £	
1943	1,525,279,556	1,501,529,261	
1942	1,384,647,216	1,336,788,471	

Destination*

Year†	Nature of Borrowing†			Deb.	Pref.	Ord.
	U.K.	Brit. Emp. ex. U.K.	Foreign Countries			
1943	1,498,222,163	2,668,427	638,677	1,489,867,113	2,127,701	9,534,45
1942	1,335,939,009	771,147	78,315	1,328,828,333	988,562	6,976,57

* Conversions Excluded. † Includes Government issues to November 16, 1943, only. Above figures include all new capital in which permission to deal has been granted.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5232

REGISTERED AS
A NEWSPAPER

DECEMBER 4, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Out of Touch? - - - 733

UNRRA Decides - - - 734

Special Areas - - - 736

The Great Migration - - 737

Canada's Empty Spaces - 745

The Dollar Problem—II - 750

NOTES OF THE WEEK - - - 738

LETTER TO THE EDITOR - - - 748

Three-Power Meeting; The Mosley Debate; Advance in Italy; Slow Motion; Target Berlin; Raid Results; The Minister of Production; Hush, Hush; Reply on Scott; Interval at Algiers; Outlines of a New Controversy?; Freedom to Starve; The Imperial Connection; Official Statistics; The Catholics Protest; New Measures for Mining; Higher Milk Prices; Tax Credits after the War; Portuguese Islands; Exports; Shorter Notes.

AMERICAN SURVEY - - - 744

Subsidies and Taxes; Hard Knocks for the Army; Petrol Civilisation; Aid to Servicemen; Shorter Notes.

THE WORLD OVERSEAS - - - 745

Canada's Empty Spaces; Hungarian Policy; Irish Retrospect; Portuguese Food Difficulties; Germany at War.

THE BUSINESS WORLD

BUSINESS NOTES - - - 751

Brazilian Debt Settlement; Brazil's Balance of Payments; Credit Stringency; TDR's Leap Ahead; "Berwick" Stockholders' Association; Electric Power Companies; London Chamber's Recommendations; Waring and Gillow Scheme; Aircraft Production; Royal Bank of Scotland; Commercial Bank of Scotland; South Africa's Sterling; Consumer Needs; Company Results.

COMPANY MEETINGS - - - 757

RECORDS AND STATISTICS - - 760

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

**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:

25, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

**Under the
Southern Cross**

Vast new industries are being established in Australasia. Your entry to this developing market can be assisted by Australia's oldest and largest Bank. Prepare now for the prosperous post-war days.

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 Square, W.1.

AGGREGATE ASSETS at 31st March, 1943 £67,128,395

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)

Great Britain by Sir Charles... LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., House, Lancaster Place, London, W.C.2-Saturday, November 27, 1943.

THE CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Members of The Consolidated Gold Fields of South Africa, Limited, will be held at THE CHARTERED INSURANCE INSTITUTE, 20, Aldermanbury, London, E.C.2, on Thursday, the 2nd day of December, 1943, at 12 noon, for the purposes following, namely:—

To receive and consider the Statement of Accounts and Balance Sheet and the Reports of the Directors and Auditors thereon for the year ended 30th June, 1943; to confirm the dividends paid on the First and Second Preference Shares; to sanction the declaration of a dividend on the Ordinary Shares; to elect Directors and Auditors, to transact the other ordinary business of the Company, and as a special business to confirm the Resolutions passed in Limited, for granting a pension to Mr Douglas Christopher, son, and to his wife, Mrs. Alma G. Christopherson, as stated in the Directors' Report of that Company dated 15th November, 1943.

Holders of Share Warrants to Bearer wishing to attend or vote at this meeting must deposit their Warrants with the Company at the Registered Office in London, 49, Moorgate, E.C.2, not later than 27th November, 1943, together with a declaration on the form obtainable at that Office.

Dated this 23rd day of November, 1943.
 By Order of the Board,
 R. CARR TAYLOR, Secretary.
 Registered Office: 49, Moorgate, London, E.C.2.
 Emergency Office, Motcombe House, Motcombe, near Shaftesbury, Dorset.

THE FINANCIAL NEWS

though in short supply can still be purchased daily up and down the country. Should any difficulty arise write to the Publisher at 20, Bishopsgate, E.C.2, and he will guarantee to supply you.

Out of Touch?

IN the next weeks the policy and intentions of the Government will be passed under general and searching review. This is a characteristic and essential part of the Parliamentary process, and in these debates the "talking shop" is seen at its most valuable. Sir Richard Acland, who is a crude but shrewd politician, has expressed the view of the Mosley case that, whatever the rights and wrongs, the episode proves the Government to be out of touch with popular opinion. This judgment has wider implications. The release of Sir Oswald Mosley can be justified to the full, as it was in the House on Wednesday. The question which must be asked and answered in the forthcoming debate is whether the Government is out of touch on much broader issues. The general mood, in Parliament and among the people, is one of doubt mixed with a new hope.

The Government starts with a number of disadvantages, some accidental, others self-imposed. Parliamentary rule is at its most vulnerable when the gap between Government and people is wide, and inevitably in wartime there is such a gap. There are no elections, and war policy is settled in official secrecy. It is dangerously easy to do by command what might be hard to do by persuasion. The war itself can, of course, bridge the gap, as it did in 1940, when danger put steel into the Government's resolution and fire into the nation's belly. The question now is

whether the prospects and problems of peace can do the same.

Here the Government has weakened its standing by its own earlier attitude to reconstruction. The programme forecast in Mr Churchill's recent speeches reflects a belated conversion from a stubborn refusal to consider these problems until hostilities end. The principle on which the present Government works is the old music-hall tag: "When father turns, we all turn." It is not surprising that, perhaps unkindly, there is only moderate faith in the willingness and ability of these Ministers to translate "Food, Work and Homes" into practice with skill and promptness.

This lack of faith springs in part from the way in which the Government approaches its tasks. It is, no doubt, a sense of integrity as well as one of political caution that makes Ministers, from the top downwards, disinclined to make hasty promises or rash proposals. To a point, this is very proper. The fate of the nation, as well as that of particular politicians, would be involved in a repetition of the vast disappointments which followed the promises of 1918. But "Homes for Heroes" and the rest proved to be illusions last time, not because the programme was wrong or too ambitious, but because the performance was hopelessly misguided and inept. It is right that the Government should be afraid of failure, but wrong that it should

herefore limit its objectives disastrously. In fact, it is more probable that this coy approach reflects the traditional attitude of the main Government party towards programmes of reform. This attitude has recently been well defined by Mr Kenneth Pickthorn as a belief that, since government is basically the use of force, which should be limited as far as possible, the aim should be a minimum of government; when in doubt, do not legislate or interfere. In part, this view is a natural reaction to the extreme Left's notion that government is a good in itself; when in doubt, nationalise. It is one of the fatalities which has overcome British politics that the making of policy has been caught between these two fires. The futile and distracting discussion about the merits and demerits of Control has been the consequence. In fact the only correct approach to the problem is strictly utilitarian. The object is the greatest possible use and distribution of the nation's resources, material and spiritual, in the freest possible way; and state action is called for only to the extent to which it is necessary to secure this condition of full enterprise. As was said in *The Economist* last week:

Control as such—that is the negative imposition by one set of persons and prohibitions on the activities of others—should everywhere be reduced to a minimum. A community needs to take its brakes off, not to put new brakes on.

Where public enterprise is needed to achieve social needs, it should be boldly introduced; where it is not needed it should be avoided with equal determination. What is required is not more and more planning, but better planning wherever it is needed.

The trouble is that, while this arid discussion of generalities has gone on in public, in politicians' speeches and in the press, the Government's real work has gone on behind the scenes. Not the least of the Government's disadvantages is its habit of secret negotiation. This is true in both home and foreign affairs. No doubt matters of strategy and war production cannot be discussed in public, but there are many vital questions in the preparation for peace, international and national, which could and should be discussed openly. Wherever avoidable, secret diplomacy and collective bargaining *in camera* are thoroughly bad and inefficient practices.

They are inefficient because, inevitably, the result is that the policy made is out of touch with both popular ideals and expert ideas. A year ago the Beveridge Report appeared and caused a great upsurge of popular belief in the future of Britain, a sentiment which much outstripped the narrow concept of social security. In the twelve months that have passed since, the Government has done little, by speech or action, to indicate any response to this new found sense of patriotic confidence. Instead, it has allowed the revival of faith to split again into the cynicism and scepticism so familiar in the thirties; the Mosley uproar is symptomatic. It was, of course, the Government's duty to examine the Beveridge Report and its implications with the utmost care, and to work out, as it has done, its own official proposals. But it was a vast error in leadership to throw continual cold water on the awakening spirit of which the Beveridge Report was only the accidental occasion. And it is unfortunate, for similar reasons, that the Government has gone to work behind closed doors. The ban on economic discussions between Sir William Beveridge himself and civil servants is symptomatic of an attitude which prefers the ivory towers of Whitehall—and perhaps those of Transport House and the offices of the great industrial combines and federations—to the proper pooling of experience and ideas.

Now Parliament and the people look, with some misgivings, for signs of grace. Mr. Lyttelton's opening speech on Tuesday was the merest prologue; nothing that he said about the transition from war to peace, about housing, social security, or town and country planning, was new. The Government's leading players, Mr Churchill and Lord Woolton, have still to make their appearance; as so often has happened in the dramatic moments of wartime politics, it is even doubtful when the Prime Minister will manage to reach his dressing-room. It may be that the Government, by the inspiration of its words and the completeness of its proposals, may gain another victory over its critics. Certainly, whatever political view may be held, it is devoutly to be wished that this may be so. This country has now an opportunity to put its house in order and give a brave new lead to the world; and it is a chance that will almost certainly never come again in the lifetime of the present actors at Westminster.

UNRRA Decides

WRITING in 1919, within a few weeks of the Paris Conference, John Maynard Keynes protested that

the Treaty includes no provision for the economic rehabilitation of Europe—nothing to make the defeated Central Empires into good neighbours, nothing to stabilise the new states of Europe, nothing to reclaim Russia; nor does it promote in any way a compact of economic solidarity amongst the Allies themselves; . . . The Council of four paid no attention to these issues . . . It is an extraordinary fact that the fundamental economic problem of a Europe starving and disintegrating before their eyes was the one question in which it was impossible to arouse the interest of the Four.

Here, at least, it seems that the experience of the last war has not been lost. Another week's work has been accomplished by the United Nations Relief and Rehabilitation Administration at Atlantic City, and the Council has closed its first meeting with the passage of forty-one resolutions. Unfortunately, the reporting of the meeting has been excessively bad. No full and official account of the resolutions has yet been received in this country, even though they undoubtedly cover major decisions of policy; and press accounts of the resolutions have mostly been contradictory. However, while making full allowance for inaccuracy, it is possible to say that the Atlantic City meetings have faced the question of relieving Europe, shared the burden of supplies, reached agreement on methods of distribution and set up machinery to put the agreement into effect. The European Committee under

the chairmanship of Colonel Llewellyn will sit in London. The whereabouts of the Far Eastern Committee, under the chairmanship of China, has still to be fixed—Sydney and Chungking have been mentioned. Russia is not a member of the Far Eastern Committee, but is not only on the Central Committee, but on the Committee for Europe and on the Standing Committee on policy. Any fear that there would be too much Great Power influence seems to have been dispelled by these first sessions. On a number of important issues, the Great Powers did not vote together or were overridden by the smaller states. Nor was it merely a question of voting rights. Very many sub-committees were set up on a functional basis—to examine the position of agriculture, the health services and so on—and whenever a nation, great or small, had a particular contribution to make, its participation was secured. The smaller Powers can feel that their equality of status has a factual as well as a legal basis.

The earlier agreement on the financing of UNRRA has been further clarified by the decision that the contribution of one per cent of the national income should be made only by uninvaded countries. Occupied countries are to make no contribution, but will use any resources they may have to help their own people. Where possible, the donors will make some of their contribution in the form of foreign exchange. Any other aid—for example, the aid given by Sweden—will be co-ordinated through UNRRA. A number of inter-Governmental agencies—for example, the technical services of the League of Nations—

will be asked to work closely with UNRRA. The wise decision has been taken to include rationing and price control in the relief schemes.

Plans for medical relief were elaborated. The key to these will be apparently a sort of "commando unit," under a chief medical officer, each with equipment and personnel to deal with about 10,000 people. The units will be mobile and will be available to any Government for the reconstitution of its own health services. Another task entrusted to UNRRA will be the return to their homes of the millions of Europeans displaced by the war. The Administration is also to help in every way it can with the revival of education and possibly with the training of such vital workers as doctors.

All this evidence of agreement and co-operation is encouraging. It is far from the indifference and ignorance of which Lord Keynes complained twenty-four years ago. Yet there are two points which give rise to disquiet, the more so because they are fundamental, and may easily undo much of the good which the Conference promises. The first is negative. As far as can be gathered from the published reports, nothing in the plans laid down at Atlantic City foreshadows a more constructive, co-operative and unified European economy. At every point, the emphasis has been laid on national sovereignty, on sovereign independence, on the authority of Governments each in its own circumscribed territorial sphere. A suggestion was put forward by one of the British delegates that all inland transport of supplies in Europe should be put under an international authority, for the experience of the last war had shown that, without some unified control, it was impossible to distribute goods according to the most immediate need. It does not appear that any such authority is envisaged. Similarly, the provision of medical relief—the sphere in which, above all, immediate need should determine the method of operation—may be made dependent on the consent of the local authority.

Much more serious is the reported decision to take the second "R" out of UNRRA. Rehabilitation is not to be the concern of the Administration. It will have no power to consider or initiate long-term schemes of recovery. It will have no word to say about their financing or their dovetailing with other schemes in neighbouring areas. It looks as though all the longer perspectives of European rebuilding are to be left in the hands of individual Governments without any machinery for co-operation or any institutions to express the great range of interests the European nations have in common. Obviously local Governments must continue to exercise proper authority. But what is "proper authority" in this sphere? Has nothing been learnt from the chaotic economic nationalism of the twenties and thirties? It may be said that UNRRA is not a fit instrument for building up international institutions in Europe. To this the only answer is that it could have

been, if the goal of international collaboration had been properly envisaged from the start.

This great gap, the failure to exploit a potentially useful piece of international machinery, can still be made good. It is a negative failing. The other matter for concern is more serious, since it suggests that a policy that is positively, not negatively, wrong is on its way to being adopted by the Powers. One of the chief assumptions made about Allied policy in the first years of war was that, however strong the military disabilities imposed on Germany, economic rehabilitation would be extended to both victors and vanquished; this assumption sprang from the experience of the inter-war years, that the economic ruin and collapse of any state had unfortunate repercussions for its neighbours and that, in particular, economic dislocation in Germany had been a major factor in the triumph of Nazism. In 1941 Mr Eden put on record that the military conditions imposed would be heavy but the economic conditions would give the German people a chance to live. This policy was incorporated in Point IV of the Atlantic Charter:

They will endeavour, with due respect for their existing obligations, to further enjoyment by all states, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

It cannot be said that the Council of UNRRA have formally rejected this principle, but the debate about the treatment of Germany was significant. UNRRA was apparently debarred from assisting Germans to return to Germany from outside its frontiers. The British amendment, supported by the United States and China, that enemy territory should pay for relief "to the fullest extent possible," was defeated and the motion that Germany should pay to the full was passed. Thus, at a crucial point, the scale of relief is to be divorced from need, and the principle reintroduced which so bedevilled the last attempt at settlement—that capacity to pay and obligation to pay need bear no relation to each other. Yet these evidences of an intransigent temper are mild compared with the mood of the smaller nations outside the conference room. The Norwegian delegates are reported to have spoken of German restitution of all ships lost by submarine warfare, a step, surely, towards saddling the Germans with the full incalculable cost of the war. M. Kerstens, the Netherlands delegate, is also reported to have declared that German industry should not be restored to anything beyond enough capacity to satisfy "Germany's internal needs"—which would, incidentally, make it quite impossible for Germany to meet any other needs, those of Europe or elsewhere, those of reparations or trade alike. It seems that the Dutch, Czechs, Belgians and Poles have been discussing ways and means in London of curtailing Germany's industrial effort. They claim that their industry can fill the gap.

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.



For particulars apply to:—

Incorporated
A.D. 1720

ROYAL EXCHANGE Assurance

Head Office at the Royal Exchange, London

This is the background of their attitude towards Germany and UNRRA. The vote against the British amendment is the first attempt to translate the attitude into a policy. There should therefore be no doubt about its direction. The enforced and permanent impoverishment of Germany must mean not only the despair and political insanity of the German people. It means, too, the impoverishment of Europe. Germany's neighbours may hope to take over the former markets of Germany, but in impoverishing Germany they will lose what was one of their largest markets and their most important sources of supply. If at the same time they demand, as they do demand, full restoration of looted property, which is their undoubted right, and also, possibly, the full cost of the war, with what will a crippled and strangled Germany meet the debt? No irrevocable step towards this complete deadlock was taken at Atlantic City, but the pointers of discussion and opinion were all in that direction. Is it necessary to repeat that this is exactly the major error which the Allies committed after the last war? And coupled with the failure at Atlantic City to plot the future of Europe on any broader lines, does it not at least

suggest that the failure of 1919 is on the way to being repeated? In 1919 Lord Keynes wrote:

My purpose in this book is to show that the Carthaginian Peace is not *practically right or possible*. Although the school of thought from which it springs is aware of the economic factor, it overlooks, nevertheless, the deeper economic tendencies which are to govern the future. The clock cannot be set back. You cannot restore Central Europe to 1870 without setting up such strains in the European structure and letting loose such human and spiritual forces as, pushing beyond frontiers and races, will overwhelm not only you and your "guarantees" but your institutions, and the existing order of your Society.

This prophecy has been most exactly fulfilled. Today it is not the world of 1870 but the world of 1919 that stands for "normalcy." Again, the clocks are being put back. Again and inevitably, the results of clock stopping will be the same. It is not too late to plan for an ordered co-operative Europe in which the beaten and the victorious will one day live and work together, but it is very near the eleventh hour.

Special Areas

A REGRETTABLE omission from the King's Speech was the absence of any direct reference to the Barlow report, which has been in the Government's hands since January, 1940. The Government has announced its views about the Scott report, and a statement on the Uthwatt report has been promised in the near future, but both these, despite their immediate importance, are ancillary to the Barlow report, which sets out the basic principle of national planning to achieve a greater dispersal of the industrial population and encourage a better balance of industry.

The Barlow Commission on Industrial Population was set up in 1937 on the advice of the then Commissioner for the Special Areas, Sir Malcolm Stewart; and the specific problem of distressed areas bulks large in its report. The term "special areas" recalls a dismal and discreditable chapter in British history. The areas' population is small in relation to the total population of the country—the three areas of Durham and Tyneside, South Wales and West Cumberland in 1937 represented about 7 per cent of the population of England and Wales—but their proportion of unemployment was appallingly high. They had almost a million unemployed in 1934; and as late as 1938, which should have been a good year for employment in the heavy industries on which the areas are so dependent, nearly a quarter of a million men were out of work.

The recovery brought about by the rearmament programme was recognised at the time as artificial and temporary. *The Economist* wrote in March, 1937:

It is not true that munitions will bring a permanent contribution to the well-being of the Special Areas. Indeed, in the long run, they may make things worse. The end of the rearmament programme . . . will once more devastate areas that have been told to pin their hopes on unproductive activity.

The rearmament programme was succeeded by production for war itself. The war has certainly brought full employment to the heavy industries of the Special Areas. But it has also emphasised their dependence on these industries. New war projects have not, for the most part, come their way. They have had little or no share in the development of aircraft production, which has largely settled in the Midlands or Home Counties. Their mobile labour has been moved away to fresh work elsewhere.

The end of the war, then, will find the Special Areas with greatly swollen labour forces in their heavy industries, a shortage of younger and adaptable workers, some munition plants which cannot, however, be trans-

ferred easily to peaceful production, a serious shortage of suitable factory space—and with their previous lack of industrial balance greatly exaggerated. Their problem is the national problem in a more acute form—that of orderly transition from war to peace, with the reabsorption of demobilised men and the reinvestment of capital in peaceful industry—the problem of full employment in a special localised form.

The measures adopted to maintain employment in these areas before the war were painfully inadequate. Commissioners for each of the Distressed Areas were appointed in 1934. Their functions included the "initiation, organisation, prosecution and assistance of measures designed to facilitate economic development and social improvement." Actually, their powers were very limited—Sir Malcolm Stewart was continually chafing under the restrictions—and they were only granted the derisory sum of £2 million for their purpose. Attempts to encourage the voluntary establishment of new industries had only slight success; the financial inducements offered were insufficient to attract entrepreneurs to areas which they regarded as remote and bleak. Out of 5,829 firms approached by the Special Commissioner, 4,066 failed to reply, and only 64 showed any signs of readiness to co-operate. In 1936, 551 new factories were set up in England and Wales, but only 8 were in the Special Areas; in 1937, there were 17 out of 540. Trading estates, offering standard factories and many practical facilities, helped to relieve the situation; but, at most, Team Valley (Gateshead), Treforest (South Wales), and Hillington (Glasgow), with some smaller estates, employed about 8,000 workers in May, 1939. A large proportion of the trading estates' firms are refugee industrialists, who proved more amenable to Governmental persuasion. The only policy effectively or energetically pursued was that of industrial transference, which tended to drain the areas of the most enterprising and virile elements of their population, and was actually a recurrent source of grievance.

More positive measures than financial inducements, and trading estates will be needed, if the Special Areas are to evolve diversified and balanced economies. Financial inducements should no doubt be increased and trading estates extended; and a revision of transport charges to encourage industrial settlement is essential. But even if the Barlow proposals are accepted, they would still not suffice to bring any significant amount of industry to the areas; the powers of the National Industrial Board proposed by the Commission are purely advisory, except in the London area, where it would have power to prohibit

new factory building. There is, of course, no guarantee that an entrepreneur, refused permission to set up in the London region, would turn to a Special Area. It may be impracticable to transfer industries already established in congested areas—the outcry over the proposed transfer of part of Luton's hat trade to Bishop Auckland is an indication of what would happen. But the Government may have seriously to consider the positive guidance, even perhaps the compulsory direction, of new enterprises to areas where unemployment is, or might be, severe—with the freest possible choice of site in any one of all the needy areas. Much can be done locally. Such bodies as the Northeast Development Board, the Scottish Council on Industry and the Welsh Industrial Council can attract new undertakings, stress the economic possibilities of their areas and break down prejudices. A bold programme of slum clearance and rehousing, improved amenities and social conditions, and public utility works and health services, would not only provide employment locally but would also remove deterrents to the establishment of new enterprises. There is ample room both for public works and private enterprise—if there is the framework of a national policy and a national plan.

It is not merely, or even mainly, a matter of new industries. They can help to restore industrial balance and provide a cushion to fall back on in lean times of employment. But fundamentally, Tyneside, Durham, South Wales and Scotland are still dependent upon the fortunes of heavy industry and more particularly on coal. Their problem is national not regional. Immediately after the war, there will be work enough for heavy industry to meet the needs of restoration and rehabilitation at home and in Europe. Thereafter, if a general policy of economic expansion is pursued at home, if stability and peace can be maintained abroad, and a genuine measure of international trade restored, the problem will be vastly easier. It will not, of course, be solved. It may be that the day of some older industries may slowly pass, at least as they are at present located; and that Britain's future lies with newer trades, newer locations and newer techniques. The problem of secular adjustment, and national efficiency, will remain. It would be wrong, both for these regions and for the country as a whole, if an attempt were made to keep alive activities which, in an altered economic or technical context, had lost their effi-

ciency and usefulness. It would also be, in the long run, an impossible task. But the problem of distress and depression should be avoidable. Given wise and effective economic foresight, it should be possible to adapt the activities of the nation to new needs and new circumstances without the tragic frictions that accompanied the process between the wars; it is the plain duty of the Government to prevent the losses of adaptation from again being concentrated in a few small sectors of the national economy. The Special Areas have a right, economically and socially as well as politically and morally, to suffer no more than other areas in the transition from the present to the future.

To sum up, the Special Areas are not in any fundamental sense "special." They are part and parcel of the national economy; their size and shape depend upon its size and shape. They cannot in any case recover and maintain prosperity unless there is a high level of employment in the country as a whole. But, even within the context of national full employment, there are measures which should be taken to deal with their specific problems. The efficiency of their basic industries, whatever their long-term future, should be raised; in particular, the key coal industry should be reorganised. To achieve a better balance of industry, new enterprises, especially those producing the lighter types of consumption goods, can be located in the areas. There may be a development of industries based on coal, such as plastics, oil-from-coal, industrial alcohol, and hydrogenation; the chemical and electro-metallurgical industries may similarly be extended. The areas are well suited, geographically and economically, for such developments. Then, agricultural production, especially of the protective foodstuffs, may be expanded and, where possible, derelict mining areas transformed to agricultural land. The rehousing of the people in the Areas' towns and villages is overdue. So, too, is the improvement of transport and communications.

The Special Areas are rich potentially; they have supplies of two of Britain's most precious assets—coal and skilled labour—which years of neglect have failed to mar. Efficiency and foresight are the only keys to the redress of their grievances. They must be allowed to live, and not by artificial respiration, not by the maintenance of out-moded and high-cost activities. "Food, work and homes" is a magnificent slogan for the post-war era. The Special Areas have a claim to priority in its application.

The Great Migration

WHEN the first wave of political and racial refugees came out from Nazi Germany after 1933 it was hardly realised that this was the beginning of the biggest displacement of population Europe has ever experienced. Since 1939 the movement has assumed catastrophic proportions. The International Labour Office estimates that more than thirty million of the inhabitants of the continent of Europe have been transplanted or torn from their homes since the beginning of the war.

This estimate* does not take into account the most recent evacuations and transfers which may have brought the number of uprooted Europeans up to "a grand total of over forty million." And these figures do not include the millions of Axis soldiers and German workers who have been shifted from place to place.

These are no more than statistical approximations. The precise magnitude of the migration cannot yet be measured and the movement of European peoples has not yet reached its final stage. More millions of civilians must have been uprooted during the German retreat in the east; and the scope of the mass evacuations, which the Allied bombing and the prospect of fighting inside Europe are bound to entail, is still unforeseeable.

The estimates given in Mr E. M. Kulischer's study for the ILO cover the period up to the end of 1942 or the

beginning of 1943. The biggest single item is the evacuation of Russian civilians to the east which is said to have involved about 12 million people. (Some estimates have put the number as high as 20 million.) Next come the uprooted Jews of Europe, estimated, conservatively, at four million. In the Balkan countries one and a half million Serbs, Croats, Slovenes, Greeks, have been moved. A million and a half Poles were deported or evacuated to Russia in 1939-41. A million Frenchmen, Dutchmen and Belgians have been removed from coastal districts. There has been an exodus from Alsace and Lorraine of nearly half a million Frenchmen—of almost the same size as the exodus which followed the war of 1870-71. A special category of uprooted Europeans are those employed in Germany either as civilian workers or prisoners of war. At the beginning of 1943 they numbered 6.5 million. Inside most of the occupied countries there have been mass transfers from province to province. There has, finally, been the great shifting of Germans themselves. The first year of the war saw the evacuation of the German minorities (about 600,000 persons) from the Baltic countries, Roumania and Southern Tyrol; since then more than two million Reich Germans have emigrated to occupied countries either as colonists or administrators or as refugees from bombed areas.

These approximations suffice to show the magnitude of the problem and its complexity. The task which will arise on the day of the armistice will be repatriation. In

* "Displacement of Population of Europe." By E. M. Kulischer. International Labour Office, Montreal-London, 1943. 171 pages. Price 4s.

Russia, this process is already going on, though on a limited scale. It is by no means certain that the Soviet Government contemplates the repatriation of all the people evacuated from western Russia. Whatever policy it adopts, one thing is certain: resettlement in Russia will be carried out according to the time-table set by the Government. No sudden, spontaneous rush is likely to occur. The prospect is very different in the rest of Europe. There, the "cease fire" will at once be a signal to return home for the millions who have languished in the prisons and camps of Germany, for the foreign workers in the Todt organisation and for the few Jews who may still survive in ghettos. Millions of German soldiers and civilians, exposed in the occupied countries to the wrath of the peoples, will flee home. All this is likely to happen against the background of a shattered transport system. To prevent utter chaos, the great trek will have to be kept as far as possible under control by some central organisation whose task it will be to pool the means of transport and fix priorities. Some branch of UNRRA will probably be the most suitable instrument, for UNRRA will also be concerned with the feeding of the European peoples.

But repatriation is only a starting point. To go home is the first right of every uprooted European, but like many other elementary rights in itself it solves no real problems. Not all the effects of the wartime displacement can be undone by repatriation; the omelette cannot quite be unscrambled. For some of the dispersed people to go home will be impossible, for political and personal reasons. The German minorities from the Baltic countries can hardly go back. It is an open question whether all the wartime transfers of Serbs, Croats, Slovaks, Czechs or Roumanians can be fully reversed. Some of those transferred to other countries may not want to return to their old places of domicile; and, provided their stay at new places is not at the expense of other people, there is no reason why they should not be allowed to stay. In the main, though, the great wish will be to go home.

Only when the great trek back is finished does the real problem begin. How many can be absorbed in the economic life of their countries? Reconstruction may, indeed should, create a massive demand for labour. But there will also be deep dislocations, some temporary but some not. The supply of raw materials and machinery will not everywhere be sufficient to permit full employment; and everywhere the war has speeded the movement from countryside to town. The sudden stoppage of war industries will reverse the trend. Industrial workers will flock back to the countryside, especially in eastern Europe. The old rural over-population will reappear. On the morrow of repatriation emigration will become a burning problem again.

The call for free migration, both overland and overseas, is likely to be raised with a new insistence. Before 1939 the closed frontiers of neighbouring states were part and parcel of the normal thinking of unemployed European

workers and landless peasants. They took it for granted. Since 1939 they have seen the fences in Europe broken down. Press gangs have driven them over the very frontiers at which customs officials and policemen used to hold them back. The sovereign power of nations to forbid entry has been destroyed. Poles, Italians and Netherlands provided most of the agricultural immigrants into Germany between 1870 and 1914. In the interwar years Germany stopped this immigration. After the war the migratory tendency may revive; it springs from deep economic and geographical motives. Will it be possible to prevent farm labourers from going to earn their living in a country where not long ago they or their relatives worked under compulsion for years?

Germany is an extreme case. The problem is not limited to Germany; nor, of course, to Europe. The great "under-populated areas" of the world lie overseas. During the years of occupation, Nazi propaganda has hammered this truth into the minds of the European peoples. Many of Goebbels' slogans will be forgotten after the war; this one probably will not. It would, of course, be physically possible to maintain or to re-erect all the barriers to international migration. This was done between the two wars. But the closing of all possible outlets for the surplus populations of Europe merely resulted in the accumulation of explosive material inside the economic and political structure of Europe. There can be little doubt that in the long run the economic and political stability of many European nations will again be gravely weakened if the "safety valve" of emigration remains shut.

War interrupts many normal economic processes. At the same time, it gives an impetus to others. It magnifies them and distorts them. The wartime migration in Europe is a striking instance. The need for an international redistribution of labour has suddenly been shown in the distorting mirror of a totalitarian war economy. The symbol is Sauckel. His "settlers" live in concentration camps. The prodigious scope and the direction of his redistribution have been dictated entirely by the unproductive purposes of the German war machine and the mad science of Nazi demography. But the problem of redistribution will remain when all this barbarity has passed. What will be needed is a civilised solution.

Migration is, of course, not an isolated problem. It is linked with all the major issues of economic policy. It is part of the problem of full employment on an international scale. Agricultural slumps, and industrial depressions make "over-populated countries" of the least populated areas in the world, and render the movement of labour from country to country accordingly hard. But, in the long run, the real dilemma is between freedom of migration and recurrent migrations on the 1939-1943 pattern, with the force of war, not law. This is only another way of stating the truism that in the long run the dilemma is between international full employment and recurrent depressions and wars.

NOTES OF THE WEEK

Three-Power Meeting

When everyone is thinking about the crushing of Germany and the possibility of "beating Hitler by the Spring," it is perhaps salutary to be reminded, dramatically, of the Allies' urgent tasks in the Far East. With a formidable array of military and diplomatic advisers, Mr Churchill, President Roosevelt and General Chiang Kai-shek have met in North Africa and planned coming offensives in the Pacific in the greatest detail. The fronts of Admiral Nimitz and General MacArthur are already "active," so they could not attend, but Lord Louis Mountbatten, whose work still lies ahead, was there. Will a combined general staff come out of these talks? It would be a great pity if it did not, for the magnitude, distance and variety of the fronts against Japan make the problem of co-ordinating three nations and three Services formidable. Conferences of the kind just held can set general objectives but they may

fail in achieving them unless machinery is set up at the same time to carry decisions to performance. On the political side, the Heads of State announced their war aims—the total defeat of Japan and the restitution of all conquests made since 1894. This sends back occupied China, Manchuria, Formosa and the Pescadores to China, and restores the colonies of Britain, Holland and France, presumably, to Britain, Holland and France, although this is not specifically stated. It is an open question who will get the Marshall and Caroline Islands. In fact, these aims are only the first sketchy outline of peace terms and give very little clue to the fundamental problem of reordering the Far East. The delegates moved on from North Africa "to an unknown destination." It can be surmised that before long the "Europe-firsters" will be satisfied in their turn—and that war aims in the West will be announced.

The Mosley Debate

History distorts itself. Almost exactly two years ago, on a similar occasion—the debate on the Address—Mr Morrison was defending himself against a Conservative amendment to the effect that after a definite period persons detained under Regulation 18B should have a right of appeal to an independent tribunal. A strong feeling of personal security tempted Mr Morrison then to challenge the movers of the amendment to take the matter to a division, and he was criticised for doing so because a division on an amendment to the Address is equivalent to a vote of censure on the Government, which the Conservatives, as Mr Morrison knew well, were anxious to avoid. Since then a new Waterloo Bridge—Mr Morrison's own godchild—has been completed, and much water has flowed beneath it. This week he had to face what amounted to a personal vote of censure on himself, after an amendment, tabled by members of his own party, had been debated, which regretted the release of Sir Oswald Mosley on the grounds that it would retard the war effort and lead to misunderstanding at home and abroad. The reasons why *The Economist* supports Mr Morrison's decision were explained in full last week (page 707). Justice cannot function if it has to bow to popular feeling at home and diplomatic considerations abroad. If the release of Mosley does, in fact, impair the war effort, through an extension of strikes and so on, then the workers' leaders will have sadly failed them. It has become quite clear, and it was emphasised in the debate, that the great majority of people who have protested against the release have no conception of the meaning of 18B and the powers conferred by it. Otherwise they would realise that, as Mr Morrison pointed out in his reply, there was no power to reintern Sir Oswald Mosley and that the High Court would quash any such order. If there are Mosley strikes—and public feeling is still running very high—the trade union leaders will have to bear a load of responsibility for not explaining the truth about 18B, and the silence of Mr Bevin, in particular, is as suggestive as it is disturbing. The result of the vote, 327 for the Government and 62 against, was never really in doubt. But the opposition votes included about 50 Labour MPs, and those who tabled the amendment included three members of the party's administrative committee; other Labour Members abstained. Mr Morrison was not actually defeated by his own party, but his political position has, for the time being, been appreciably weakened.

Advance in Italy

On November 11th the Eighth Army came to the Sangro river and reached out for bridgeheads across it. More than a fortnight elapsed before two were made. On November 27th General Montgomery ordered his men "to drive the Germans north of Rome" and an offensive from the Sangro bridgeheads started next dawn, preceded by a typical Montgomery barrage. The barrage was not followed by a sweeping advance of the kind that characterised the Eighth Army's campaigns in the desert. In such difficult mountainous country the tactical returns of artillery bombardment are inevitably much less spectacular. The first three or four days of the offensive brought a "break in, but not a break through." The Eighth Army reached a twenty-five mile stretch of the road from Casoli to the Adriatic coast. But the "main German defence line" which had been broken into is here a somewhat vague term. Between the Sangro and the Pescara the Germans can still use a number of ridges and minor streams for defence purposes; at this time of the year, the streams still form substantial obstacles. The biggest obstacle of all is the Pescara river, which is capable of holding up the advance for as long as the Sangro did, if it cannot be turned by a landing from the sea. Only after crossing the Pescara will the Eighth Army be able to swing towards Rome. The Fifth Army, on the western coast, is confronted with a similar difficulty. Before it reaches the coastal valley, which leads straight to Rome, it has to overcome the formidable mountain barrier at Garigliano. Here, too, the rate of the advance can perhaps be accelerated by sea landings. It is no reflection on the achievements of the Allied soldiers in Italy to say that the strategic rewards of the campaign so far have been, and are likely to remain for some time to come, disproportionately small in relation to the tactical efforts expended. The invading troops are still "logging up Italy."

Slow Motion

The fall of Gomel towards the end of last week has not changed the general position on the Russian front. Inside the Dnieper bend attack and counter-attack have followed one another without producing any decisive results. The German thrust against the Kiev salient has gained impetus and shifted from the southern flank to the centre. Korosten, a very important railway junction, has been evacuated by the Russians. After the fall of Zhitomir, this is another grievous loss, but no danger to Kiev seems to be imminent. The Russians have reported successes in widening the Cherkassy bridgehead, the key position between the Kiev and the Krivoi Rog sectors of the front. Farther to the north, on the Byelorussian front, the Russians have now advanced to the fringe of the Pripiet Marshes. There the terrain and the weather do not suggest any rapid advances. Probably it is only along the Smolensk-Orsha route that large-scale movements can still take place. Progress may well be slow until the New Year.

Target Berlin

So far official reports on the raids on Berlin during the week from November 22 to 27 have given only the bare fact that a total weight of 10,000 tons of bombs was dropped on the target. German reports speak of devastation. The first raid on Monday, November 22, was the biggest. It was made in exceptional weather conditions. The whole route and the target area itself were obscured by clouds and fog; consequently there was scarcely any night fighter activity, although this was greater in the subsequent raids. A great number of commentaries and innumerable accounts from Swedish and Swiss correspondents, travellers and diplomats have been published. Some of these accounts are mere guesswork; others lack knowledge of the target area; all of them have the serious defect that their authors were unable to get a general view of the effects of the bombing. The area of Greater Berlin, in its mixture of residential and factory



THE COUNTRY BANKER

"... he kept a pack of hounds and dwelt in patriarchal style among his people—hospitable, freehanded and popular. He might be seen at times seated under the great elm... chatting with his neighbours."

So, in the last century, the country banker inspired and held confidence: the evidence of his worth was plainly to be seen. The rising tide of industrial development with its demand for a service which few private firms could provide caused the virtual disappearance of the country banker, but on the firm foundation which he had created, the Westminster Bank continued to build, so that it is today able to offer a service which, in its scope and complexity, might be a source of some astonishment to those pioneer bankers of other days.

WESTMINSTER BANK LIMITED

districts, as well as in its sprawling suburbs, is not very different from London. Greater Berlin with a pre-war population of 4½ millions covers 334 square miles. The Administrative County of London with its 28 boroughs and also a population of 4½ million covers only 117 square miles. But, compared with the area of Greater London, that is, the Metropolitan Police District, the area of Berlin covers only 48.3 per cent of that of London. Factories and actual suburbs, however, extend beyond the administrative boundaries of Greater Berlin. These towns and factories belong to the economic unit of Berlin and it can be said that the entire target area of Berlin forms a circle whose radius is 15 miles from the eastern end of the "Unter den Linden" street. This area is therefore more or less equal in size to Greater London. But its population is probably not more than two-thirds of the 8½ million of London. The town and county of Hamburg, on the other hand, cover 160 square miles and the town itself not more than 52.5 square miles.

Raid Results

Neutral and other reports and guesses give some indication of what part of Berlin has been destroyed so far. Out of a mass of contradictory accounts there emerges the fact that, during the Monday raid, the great bulk of the 4,000 tons of bombs fell on the Whitehall and Oxford Street districts of Berlin. During the later raids a majority of the bombs hit these districts again, and also the Kurfürstendamm district, the new west end area of Berlin, which was obviously heavily hit. The guess made by only one Swedish paper that Spandau, Pankow, Lichtenberg and Neukoelln, all of them industrial districts, had suffered the greatest damage is not confirmed elsewhere. It would mean that the entire outer ring of the circle that forms the target, with the exception of the south-west arc, had been heavily hit. The sector of the circle which cuts through these districts measures at least 25 miles. The bomber force that attacked Berlin would have to be much bigger if these districts were to be hit simultaneously and severely. There seems, however, to be no doubt that the centre of the town and the new west end are in ruins. Adjacent districts like Charlottenburg in the west and the workers' districts in the east must have been severely affected by blast and fires. This is the picture that can be pieced together. In spite of the fact that the destruction has been enormous, caused by the heaviest tonnage dropped on a single town, the main industrial areas have so far escaped. Several railway stations have been hit, but railway repairs can be quick. Bus and tram traffic has been obstructed because the centre of Berlin has been blocked; and there has undoubtedly been much damage to the water, electricity and gas systems. These, too, can be repaired quickly if the sources of supply have not been destroyed. This picture of the damage also explains why casualties were reported to be, relatively, not large. The density of the population in the districts most affected is very small compared with the industrial districts. Some of the women, children and old people were evacuated in August; some have returned, and the new bombings will cause new evacuations. Because such a vast area is covered, the outlying parts of Berlin can be made temporary reception areas; this point is also made clear in many reports. All the estimates that can be made at the moment indicate that the destruction of Berlin in the same manner as Hamburg will be vastly more difficult, if bombing on a really large scale can only be carried out when the exact conditions of Monday, November 22, 1943, occur again. From a morale point of view, the bombing seems so far to have had no more and no less effect than the bombing of the Ruhr towns and of Hamburg.

The Minister of Production

Mr Lyttelton has appeared this week as the chief Government spokesman. Last Sunday, he stated the attitude of Conservatives to national policy; on Tuesday, he stated it again in the House of Commons. In Parliament he was a mouthpiece; at Oxford, addressing Conservatives, he was a politician. Much of what he said was sound sense. He asked for sufficient force after the war to make the nation's policy in international affairs effective. He asked, too, for full employment when the war is over, and for an expansionist financial policy. He emphasised, very rightly, that

full employment is a matter of shaping an environment in which individual initiative is free and able to operate.

He said frankly, again with justice, that the readiness of private persons to take risks and chance losses remains a mainspring of national economy. But, on party lines, Mr Lyttelton was on less sure ground. He denied, for instance, that British weakness in 1939 was due to Conservative inertia, forgetting that in effect the Conservative Party held power consistently throughout the inter-war years. It is an odd theory that blames the Opposition and the electorate for the faults of the Government; at least the pre-war Government could have said frankly to the people what was needed. If any single conclusion arose from Mr Lyttelton's address, it was that the post-war parties must tell frankly and boldly the entire truth as they see it—that there must be no more of the political or strategic secrecy which has prevented our Parliamentary democracy from working properly for the best part of a generation.

Hush, Hush

The prohibitions imposed by Sir Richard Hopkins, Permanent Secretary to the Treasury and "head" of the Civil Service, upon discussions on employment between Sir William Beveridge and civil servants is a ridiculous example of an official attitude which, as pointed out in an article on page 733, has greatly weakened the war effort, and now bids fair to undermine preparations for peace. On the banning of Sir William, David Low, the cartoonist, has drawn the last word: his picture of affrighted civil servants fleeing to cover on the sounding of a Beveridge warning sufficiently underlines the fantasy of the ban. It is no less fantastic that Sir William has had no communication from the Government during the year in which experts have been considering the "impracticabilities" of his plan. But a much wider issue is involved. Throughout the war it has been cause for regret and national loss that civil servants, permanent and temporary, have been prevented from contributing their quota to discussions of national problems; the Beveridge ban is only one spectacular instance. That civil servants should be forbidden to make their contributions to the widespread and valuable examination of British post-war problems is not unlike sabotage, and calls for the most vigorous protest in Parliament. It is the strength of democratic communities that official and non-official views can be combined in free discussion to produce the right answers to the right questions; and the formal prohibitions of the Civil Service, based quite illogically on the non-political character of civil servants, add a distasteful and undemocratic quality to the freedom of speech and opinion, a quality which contrasts strangely with the causes for which, ostensibly, the war is being fought.

Reply on Scott

If the Government needs as many words to declare its decisions on other issues of national policy as it did to answer a direct question on its views on the Scott Report, the public can be forgiven for thinking that all reconstruction matters will be bogged in a mass of saving clauses. Mr W. S. Morrison's reply to a parliamentary question this week occupies over four columns of Hansard, but in effect it leaves the questioner very much where he was before. On the main underlying principle of the Scott Report, that there should be a wider application of town and country planning by the establishment of central machinery for planning, the Minister pointed to the setting up of a Ministry of Town and Country Planning and to the Interim Development Act of last session. Surveys and research are being carried out in plenty, and there is "close inter-departmental co-operation in all matters affecting land use." The dear old phrase, "a healthy and well-balanced agriculture," still undefined, appears again as an accepted element in the Government's post-war policy. The Scott Committee's recommendations on the improvement of the living conditions of rural communities and the preservation of little dispute, are accepted in principle; but the Departments concerned are examining the issues involved—a phrase which shows up the limitation on the Ministry's own powers. In fact, almost the only specific new decision that came out of the Minister's answer was that development by statutory undertakings was to be brought within the scope of the Town and Country Planning Acts. The main conclusion to be drawn from this very long answer is one that has long been realised—that no real achievement can be

accomplished by the Ministry of Town and Country Planning, for all the rosy vistas implied in its title, until someone with real powers has obtained a decision upon Barlow and Uthwatt. This is, presumably, Lord Woolton's obligation, and it is one that public opinion will not allow him to shelve.

Interval at Algiers

The first session of the Consultative Assembly at Algiers has ended, and the next session will not be convened before the New Year. During the fortnight of its activity the Consultative Assembly has well justified its existence. To some extent, it has brought back into French politics the factor of public control, though the Assembly's liberty actually to exercise control has been very restricted. It has also had a moderating influence on the foreign policy of the Committee of National Liberation, or—to put this more exactly—on the purely Gaullist tendencies in it. Even so, the majority of the delegates to the Assembly have expressed dissatisfaction with the Assembly's work. One delegate of the resistance in France, M. Mailloux, a new man in politics, who from the beginning took a foremost place in the debates, expressed this feeling very strongly:

The Assembly has had to ask itself sometimes whether it has been born to live its own life or whether it is still a kind of robot.

M. Gouin, the President of the Assembly, in his closing speech was equally outspoken and critical; so were most of the deputies. The tactics adopted by the Communists deserve some attention, if only because of the great influence they exert in France itself. They said quite a lot of right things, though they may have done so for the wrong reasons. Their leader, M. Marty, made a clear distinction between Gaullism as a popular movement for the liberation of France and Gaullism as an authoritarian tendency:

Frenchmen in their overwhelming majority are Gaullist. But from this it does not necessarily follow that they are the adherents of General de Gaulle. If matters remain where they are now, I do not know what the relations between General de Gaulle and the French people are going to be.

M. Marty demanded for France "the British fiscal system, British parliamentary government, and British freedom of the press." This demand need not be taken literally as a rejection of the native French democratic tradition. But it seems to reflect a strong reaction against attempts to convert Frenchmen to personal rule. One such attempt caused a great deal of irritation. General de Gaulle pressed his right to choose the members of the National Committee from among the leaders of the parties, without considering the candidates suggested by the parties themselves. This is the reason why the Communists have so far refused to join the National Committee, in spite of their consent, in principle, to participate. The suspicion is rife at Algiers that secret Gaullist "cells" may be fostered inside the various political movements, to be used later on to sap them. The Communists made a firm stand on this point, defending the right of all political parties to decide their own policies. It is to be hoped that the other parties will not leave it entirely to the Communists to say the right things, and that those who almost certainly have more and better reasons to say them will actually do so.

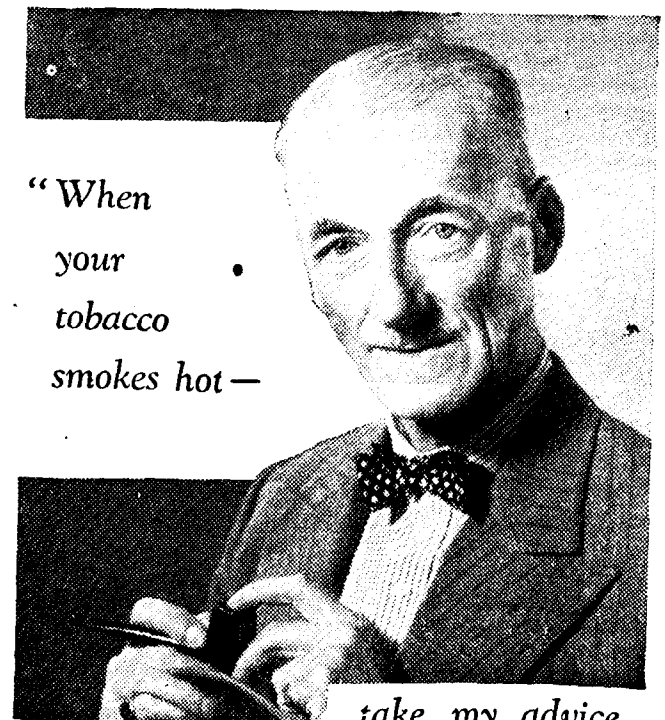
Outlines of a New Controversy?

Reports that Marshal Pétain intended to resign his powers in favour of the National Assembly and thus legally to re-establish the Third Republic have brought an important statement by the Council of Resistance in France. The Council has warned all French deputies and senators against putting their signatures to a demand for the convocation of the Assembly. A National Assembly under the German occupation would be a trap to exact the endorsement of the regime of occupation by the Chambers of the Third Republic—now that the endorsement by the National Revolution has proved ineffective. The Council of Resistance is surely right to warn parliamentarians who may play Pétain's game that "they will be brought to account by the freed nation." But the question whether the National Assembly may still play some rôle after the liberation of France must crop up again in the future; a formal resignation by Pétain in favour of the Assembly would re-establish the legal continuity of the Third Republic. On the other hand, the strongest faction in a revived Assembly would be the collaborators and men of Vichy. The pros and cons are easily

foreseeable. The uncompromising upholders of legitimacy would probably favour the convocation of the old Chambers; the Gaullists and the popular movements alike would oppose it violently. In a not too distant future this may well become one of the great controversies in French politics; but there can be no doubt which way the popular verdict would go.

Freedom to Starve

An article in *War and the Working Classes* attacks the Austrian revolutionary Socialists for desiring a Greater Germany and the Austrian Monarchists for plotting the re-establishment of the "Danubian Empire." Both groups are accused of sabotaging the interests of the Austrian people in the achievement of independence. It is difficult to follow the complexities of political opinion in any émigré group, and certainly the reactions of different Austrians have shown considerable divergence. Yet the desire shown to include Austria in a wider framework is not necessarily a sinister recrudescence of Pan-Germanism nor yet a reactionary plot to build a *cordon sanitaire* against Russia. It can spring, in any adult Austrian, from the memory of what it was like to live in pre-1938 Austria. *War and the Working Classes* dismisses the "impotent democrats who kept harping on Austria's lack of vitality." But lack of vitality was a fact. It was a fact in mass unemployment, in under-nourishment, in a birth-rate falling more rapidly than anywhere else. Anyone who has seen the lifeless, hopeless poverty of Vienna under Austrian independence, cannot but ask whether an enforced independence will not mean some old and unlovely freedoms, "freedom from work," and "freedom to starve." It is permissible to take exception to these groping attempts to formulate a future for Austria, but only if the problem represented by that future is faced. Austria must live in a wider economic framework, and if critics do not like groupings or federations or "anschlusses," they must find another way out.



"When
your
tobacco
smokes hot—

take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100th YEAR

The Imperial Connection

Several resolutions have been put down in the new Parliament on Commonwealth relations. In this war the British Commonwealth and Empire has been an object-lesson in collective security. Yet, in spite of the remarkable rally in the dark days of 1940, the British communities were unable to make themselves safe by their own strength—any more than they were able to make themselves prosperous in the 'thirties by their own resources. There is a call, therefore, for a double policy: one which provides the Commonwealth for the first time with a common policy in diplomacy and defence, during peace as well as war; and one which relates the Commonwealth's provision against attack to co-operation for peace among the great nations. This problem is the crux and reflecting point of the two-fold status of the members of the British Commonwealth; they are British, and at the same time they are independent nations in the world community. Most recently the discussion has taken the form of arguments for and against proposals for some kind of Commonwealth Government and Parliament. If the end, security and co-operation, is borne steadfastly in mind, the discussion is vital. Whatever means may be adopted, the aims are set by the facts of world strategy and resources. Here, as in economic policy, the British nations have now a chance which may never recur to give a lead to the world.

Official Statistics

The best use of scarce resources during the war has involved, first, accurate knowledge about their size and nature, and, secondly, their disposal according to detailed schedules of priorities. The use of manpower and materials has become an act of deliberate decision which cannot be taken without the most careful statistical measurement. There has been a great extension since 1937 in the statistical services of Government departments; and the Central Statistical Office, associated with the Cabinet Secretariat, has been developed as the essential co-ordinating and analysing agency. This is an extension of official activities should not only be retained but carried further after the war; if the Government is to be equipped to shoulder its post-war responsibilities to the community. The permanent improvement of the Government's statistics has found powerful support in a memorandum published by the Council of the Royal Statistical Society. The findings of the Council will be discussed in greater detail in relation to needs in a forthcoming issue of *The Economist*. The Council strongly advocates an adequate statistical branch for every major Government department, with a strong Central Statistical Office, to act as a co-ordinating body and to carry out special research; and it emphasises the need for the largest recruitment and training of personnel. It would be a great pity if the statistical staff recruited during the war were to be disposed of indiscriminately as they were after the last war. But they will be most useful if their functions are clearly defined in terms of up-to-date peacetime needs—a problem that requires more elaborate discussion.

The Catholics Protest

One of the few reconstruction measures specifically promised in the King's Speech was the new Education Bill. It is a measure which, judged by the reception given to the White Paper, passes both the Government's and the public's criterion of securing "a wide measure of general agreement" and of being "non-controversial." Yet the Catholics are protesting about the proposals for the future of non-provided schools. Their case was critically examined in *The Economist* on October 23, 1943 (page 549), where it was pointed out that the White Paper proposals improve the financial position of the Church schools considerably, a fact which the Catholics, in their request for more, never seem to recognise. The latest statement by the Catholic hierarchy is gratifyingly more moderate than the utterances by Dr Downey, but the Catholic case is not improved by the issue of such pamphlets as *The Catholic Claim for Justice*, published by the Leeds Central Council of the Catholic Parents' and Electors' Association. In it, it is actually stated that the Government's intention to legislate on education at the present time is a repudiation of the assurance that contentious questions should not be introduced into Parliament in wartime. The further allegation is made that the White Paper is "a definite attempt to elevate a group of civil ser-

vants to the rank of a ruling caste," a treatment of the ordinary citizen which "can only be compared with the totalitarian practice that we so much deplore on the Continent." The whole tenor of the pamphlet is, not that the position of the Catholic schools is considerably improved but not to the full extent that Catholics would have liked—a point of view which would be understandable and excusable—but that they have been singled out for unjust treatment, a point of view which simply does not bear examination. They appear to think, judged by this pamphlet—which probably goes much further than the Catholic leaders themselves would go—that they are in the position of a minority being imposed upon by other minorities with the Government's connivance. Such polemics as are illustrated in this pamphlet can only prejudice the Catholic case and needlessly embitter the discussion of what promises to be a great educational measure.

New Measures for Mining

On Thursday Mr Bevin announced the plans for compulsory recruitment of men to the mines. Selection will be from men born on or after January 1, 1918, and will be by ballot, as the fairest method of procedure. Recruits will, after medical examination, be directed to preliminary training centres before actually starting work at the pits. The aim is to recruit 30,000 men by the end of April, 1944. However necessary this scheme, in order to provide new and younger manpower, it is in itself a confession that other measures have failed. Major Lloyd George, at Preston, on Wednesday, announced that the Government's proposals for improving coal output, which covered the wartime organisation of the industry, discipline and conditions of work, including miners' welfare and safety would shortly be laid before both sides of the industry. He gave no indication of the nature of the Government's scheme, except that it would not "fully satisfy either side." This presumably means that a further compromise arrangement will be attempted, which might succeed in shelving the problem, but could not solve it permanently. Indeed, the only scheme which would "fully satisfy" the miners would seem to be the adoption of their own programme, the chief points of which were the abolition of dual control and the increase in the minimum wage. The miners' two-day conference in London last week was necessarily inconclusive, since they had not yet received any reply from the Government, and the conference was adjourned until not later than January 14th. The feeling among the miners is hardening—the renewed outbreak of strikes in the Lancashire coalfield is an indication of their impatience—and the Government's delay in dealing with the Federation's proposals has been unfortunate. So, too, and much less excusable, has been the owners' delay in agreeing to accept Lord Greene's recommendation that the output bonus should be based on the individual pit instead of on the district, a recommendation which the miners and the Government accepted nearly eight weeks ago. Wages, which are the miners' principal grievance, are to be left to the existing negotiating machinery in the industry. The Government, however, has been directly implicated by the miners' request for an assurance that it would implement any award by the Greene Board, even if it led to an increase in the price of coal. Whatever the merits of the case, it would be improper, and probably impossible, for the Government to give advance pledges, and it might create a dangerous precedent for wage claims in other industries.

Higher Milk Prices

The most interesting and important change in the schedule of farm prices issued last week by the Ministries of Agriculture and Food jointly is the increase in milk prices. With effect from October 1st, the Ministry of Food will pay to the Milk Marketing Board for England and Wales an additional penny a gallon. Part of the increase is to be used by the Board to remove anomalies and the remainder for an advance in prices to producers. Since the production of milk has become, relatively, one of the least profitable pursuits in agriculture, the Government's decision to redress the balance was wise. Milk is needed in large volume and should be given high priority. The prices of fat bulls and fat cows are to be raised by 5s. a live hundred-weight, but those for most other livestock and livestock products are to remain unchanged. With the exception of a reduction in barley, cereals, sugar beet and peas will bring

farmers about the same return in 1944 as they got in 1943. In the case of wheat and rye, an increase in the average payment will be counterbalanced by a corresponding reduction in prices. The net effect of the price adjustments is expected to be an addition of about £3 million a year to the income of farmers, compared with a rise of some £14 million in their wages bill. The effect on individual farmers will, of course, depend on the nature of their products and on their costs. Dairy farmers will be somewhat better off, as, indeed, they should be. Among others, as a broad generalisation, the larger farms will probably have no difficulty in absorbing the increase in wages, while some of the smaller farmers may earn less. There was, in any case, no ground for a general advance in farm prices, and there are indications, such as the sharp rise in the prices at which farms change hands, that farming is by no means an unprofitable occupation.

Tax Credits after the War

Mr Oliver Lyttelton, commending post-war credits, has given his personal opinion that similar arrangements should be tried in peacetime. The spreading of purchasing power more evenly between boom and slump by means of differential taxation is one of a number of palliatives often suggested for evening out the fluctuations of the trade cycle. No doubt the release of taxation credits during a period of depression might act as a useful stimulus to production. Such a scheme would only be logical and worth-while, however, as part of a much more comprehensive Government policy, including the maintenance of investment, as well as consumption, and a refusal to "economise" and balance budgets in bad times. The complement of this policy, that is, increasing taxation during booms, would call for the most careful timing, and raises many problems. In short, tax credits or forced saving on these lines should only be undertaken as part of a general Government policy for maintaining a constant and satisfactory level of trade, and preserving the needed balance between savings and investment.

Portuguese Islands

In his recent speech to the National Assembly, Dr Salazar reviewed Portugal's external relations in recent months. On Portugal's dealings with the Allies, the Prime Minister had only good things to say. He was remarkably cordial in his references to British restraint in delaying so long before asking for the use of the Azores. Earlier, he long before asking for the use of the Azores. Earlier, he admitted, a British move would have involved Portugal "in catastrophic developments." His forecasts of an Allied victory were more cautious. The shadow of internal unrest lies across the Peninsula, and there was a trace of defiance in his reference to the continuance of the Iberian bloc and its importance for the post-war settlement. In the Far East, the outlook is dark. The Portuguese have had of necessity to tolerate the insults and atrocities of the Japanese. How- to Pacific offensive is gathering momentum, the time for patience has passed. Dr Salazar insisted strongly on the need for "an immediate solution." The contrast is instructive. Both the Japanese and the British have occupied Portuguese islands. To one occupation, the Portuguese reaction is entirely cordial; for the other, they look to a not too distant day of reckoning.

Exports

The future of exports was discussed last week at a conference about "London's Stake in Overseas Trade," organised by the Liberal Party. Mr Thomas Wiles, chairman of the Port of London Authority, quoted some figures showing the great importance of London in Britain's trade; in 1938, the total value of the port's overseas trade was £593 million, equivalent to nearly two-fifths of the total overseas trade of the United Kingdom. He criticised the suggestion that other centres should share to a greater extent in some of London's commercial activities; what is needed is not a redistribution of trade but an all-round expansion. Mr Harcourt Johnstone, Secretary of the Department of Overseas Trade, emphasised the need for a substantial expansion in exports after the war. According to his estimates, Britain's income from invisible exports is likely to be about £200 million a year smaller after the

war. Not only have Britain's overseas assets been depleted, but a large volume of sterling indebtedness has been created. Indeed, Mr Johnstone expects that if Britain is to maintain its pre-war standards—presumably he meant its pre-war volume of food and raw material imports—exports may have to be increased by some £350 million. This is a tall order. Curiously, none of the speakers, insofar as they were reported, discussed the possibilities of Europe as a market for British exports. Yet Europe always has been, and can again become, one of Britain's best overseas markets.

Shorter Notes

Colombia has declared war on Germany. The immediate provocation was the sinking of yet another Colombian ship. The decision makes little difference in the balance of the war, for Colombia had already broken off relations with the Axis. But the approximation of Colombian diplomacy to the attitude of Brazil strengthens Brazil's growing moral and political leadership, especially since it is in this case underpinned by a common interest in the Brazilian development scheme for the Amazon basin.

The Government's inquiry, promised last July, into the population trends of Great Britain, which it was said would be carried out on the broadest lines, is to take the form of a Royal Commission. Its chairman will be the Lord Chancellor.

The facilities, under the Emergency Hospital Scheme, for the specialist treatment of war workers have been extended. At present they only apply to fracture cases, but, in future, similar facilities will be available for other accidents, such as dislocations and sprains, head injuries and severe burns, though not to minor injuries which do not need specialist advice.

Shorter Notice

"Words and Phrases Judicially Defined. Vol. 1. A-C." Edited by Roland Burrows, K.C. (London) Butterworth & Co. 606 pages. 55s. net.

The publishers, in an introductory note, explain that this work is not the first instalment of a dictionary, not being intended to give the meaning of all words and phrases but "only of such as have been the subject of judicial interpretation." The words and phrases are explained by giving the use attached to them in various cases, thus affording not a watertight definition, but a valuable guide to their most accepted meaning. The aim set is carried out with great efficiency and thoroughness, under the guidance of a distinguished group of editors. Especially valuable are the inclusion of cases covering the Appeal Courts of the Dominions and Colonies, and the comprehensive introduction on the Interpretation of Documents contributed by the Editor-in-Chief, Mr Roland Burrows, which forms a necessary part of the scheme.

AGENDA

A Quarterly Journal of Reconstruction

The issue for November, Vol. II, No. 4, contains articles by J. L. Brierly, Margaret Fry, Vera Anstey, M. A. Abrams and others.

Single copies - - 6s. 6d.
Annual subscription - 21s. 0d.

Published for the London School of Economics by the
Oxford University Press

AMERICAN SURVEY

Subsidies and Taxes

While the country starts on a pre-Christmas spending spree of breath-taking proportions, Mr Morgenthau has made a last appeal to the Senate to salvage some of the Treasury's tax proposals. Last week the House approved by 200 to 27 its Ways and Means Committee's emaciated version of a new Revenue Bill. This would produce only \$2,100 million more revenue, or about one-fifth of what the Treasury requested. There is a belief in some quarters that the House cut the estimates so drastically as a challenge to the Treasury to endorse a national sales tax. There is no evidence, however, that this is taken seriously in Congress—or by Secretary Morgenthau, although he forecasts "black markets, ruptured price ceilings and substantial increases in the cost of living" if more taxes are not raised. Unfortunately for the Treasury, last week's announcement of Service savings of \$18,000 million has been interpreted by many as doing away with the need for increased revenue. Meanwhile, anti-subsidy legislation has gone to the Senate, and Administration leaders are struggling to save some of the 25 subsidy programmes affecting 40 agricultural commodities. A Bill bearing Senator Bankhead's name, which would prolong subsidies into next year, may provide a basis for compromise. The Opposition's arguments have followed familiar lines: that subsidies merely transfer costs from the grocery bill to the Tax Bill; that they regiment the food industry; that they are unworkable; and that they reduce production below levels it would attain in a free market. There is also increasing emphasis on the political implications of what is regarded as a gigantic "slush fund." Much of the emotional motive power behind the agitation is undoubtedly provided by resentment, on the part of the farmers, of high wages for labour. The success of the Mineworkers this week in inducing three-quarters of the operators to accept the terms of the Ickes contract will fan the flames. But, as Walter Lippmann has pointed out, it is not labour that will be the prime sufferer if prices rise; it will be the receivers of fixed incomes, whether from pensions, salaries or investments. Labour has its own weapons; and the power of its leaders to prevent their use is weakening. Convinced that there has been nothing like "equality of sacrifice," and cynical about the ability, or indeed the desire, of the Administration to fight its battles, the rank and file is increasingly in favour of withdrawing labour representatives from the War Labour Board and revoking the no-strike pledge. These cracks in the national unity are not new, but they are widening ominously.

Hard Knocks for the Army

Army policy was soundly rebuked this week on two scores. The first was the Patton incident. What emerged, after the first burst of righteous indignation had spent itself, was a strong sense that the Army had dealt unfairly with the public. Many commentators have treated the General himself with leniency, and most have now decided to accept Mr Stimson's view that the affair is best left to the discretion of General Eisenhower. What is harder to forgive is the way the incident was handled by the Army authorities. The flat denial, on grounds of mere terminology, of a newspaper story which turned out to be true in its main outlines has left a sour taste. To call the original Army statement a "bunch of half truths" was a flattering overestimate; and nothing could have been more inept than to issue a denial which itself had to be denied the next day. In Congress there has been resentment of the fact that a recommendation for Patton's promotion to the rank of Major-General was made without reference to an incident which might well have a decisive effect upon Senate action. As a result both Houses have requested full inquiries, and it is doubtful whether the Army will be able to retain General Patton, at least in his current role. The second Army blunder, at least in so far as its public relations are concerned, has to do with the highly secret drilling of oil wells in the Yukon. The Army has been under fire both from the civilian agencies, which feel that they should have been consulted, and from critics of the arrangement whereby Canada is given first option to purchase the facilities and 500-mile

pipe-line after the war. Mr Ickes, the Solid Fuels Administrator, has been characteristically caustic, and Senator Truman, after an investigation by his Committee, declared the project "unjustified." Army spokesmen have argued that the cost—estimated at over \$120 million—is a trivial factor in wartime compared with the production of 20,000 barrels of oil a day to serve the Alaska road and its military airports. Whatever the rights of the argument, it is certain that the Army would have been better advised to have taken steps to secure the support of the civilian agencies. It is also clear that its spokesmen would have had a more trusting audience for their version of the "Canol oil scandal" had the public not had fresh in its mind the disingenuous denial of the Patton story.

Petrol Civilisation

Fears for the future of American oil reserves, and indeed of American ability to maintain a "petrol civilisation," have led in recent months to certain glances over the fence at foreign oil reserves. The Five Senators asked for greater use of Middle East reserves; the Truman Committee suggested that Lend-Lease might be repaid by transfers of titles to oil holdings. These fears were given new expression this week in an article by Mr Ickes, the Petroleum Administrator, entitled "We Are Running Out of Oil." Mr Ickes' challenging estimate is that the United States will be short of oil in another fourteen years. This conviction has been responsible for long-standing controversy between Mr Ickes and the Office of Price Administration, in which the Petroleum Administrator, with the support of the oil companies, has endeavoured to persuade OPA to raise oil prices on the ground that this would stimulate exploration and the discovery of new wells. More recently Mr Ickes has begun to argue for increased American access to foreign oil resources. Early this month, in an address to the American Petroleum Institute, Mr Ickes attempted to reassure domestic producers worried about foreign competition and to convince them that post-war importation of oil would be necessary and in fact would not be contrary to their interests. He pointed out that most foreign governments participated in foreign oil activities, and suggested that, where private initiative and capital were inadequate, the Petroleum Reserves Corporation might be utilised to supply them from government sources. In his last article Mr Ickes embarks on a full oil standard. Believing that an equitable agreement on world petroleum resources "will determine the durability of the peace," Mr Ickes proposes a four-power agreement to rehabilitate oil facilities suffering from war damage; to make oil supplies available to all nations; and to forbid supplies to aggressor states. Mr Ickes is a sincere, if truculent, democrat. But it is only too likely that the oil he is pouring on troubled waters will make a tidy flame in less scrupulous hands.

Aid to Service Men

There exists one aspect of post-war policy on which there is virtually complete unanimity between the President and Congress, Democrats and Republicans. That is generous treatment of the disbanded Service men and women. There are not lacking, indeed, certain signs of rivalry as to which side is to get the credit. Last week President Roosevelt in a message to Congress recommended legislation which would provide:—

1. Payment of a uniform mustering-out pay on a monthly instalment basis;
2. Payment of unemployment allowances to those unable to find work within a reasonable time;
3. Extension of old-age and survivors' insurance to members of the Armed Forces.

Mr Roosevelt estimated that about one-half of the members of the Services will not be entitled to unemployment benefits, and pointed out that those who are covered will receive widely varying benefits, because of differences in state laws. In many cases the protection will be inadequate. For this reason uniform benefits under Federal

law are desirable. These should, he said, be extended to members of the Merchant Marine in the form of a Federal Maritime Unemployment Insurance Act. Further, as members of the Forces do not receive credit under the Old Age and Survivors Insurance for the period of their military service, and benefits are based on the number of years under the system, it is recommended that the Federal Government should assume the burden of granting credit to all members for the Forces for their period of service, the Federal contributions to be uniform for all irrespective of rank. Benefits provided for the Services and their families are already extensive and substantial. Dependents' allowances were recently increased to \$80 a month for a wife and one child, \$100 for a wife and two children, and \$120 for a wife and three children. Death and disability pensions have been raised. Other benefits range from the opportunity to buy cheap life insurance through certain kinds of civil relief and hospitalisation to emergency maternity care for the wives and children of Service men. Not long ago President Roosevelt recommended a plan for providing educational opportunities for demobilised Service men. With the present recommendations, the rounding-out of Government protection will be complete. Already two Bills have been introduced into Congress to implement the President's suggestions. One provides a maximum of \$300 on mustering out and the other a \$15-25 weekly allowance. These proposals are specific, their justice cannot be denied; and they are politically attractive. But what the

returned Service man wants is a job, not a benefit. To satisfy the demobilised, and to keep unemployment benefits within reasonable proportions, there will have to be a concerted attack upon the problems of conversion to peacetime production and the provision of employment—what the President in a nostalgic phrase called "the maximum utilisation of human and material resources." The most difficult part lies ahead.

Shorter Notes

The number of women employed has increased from 10,800,000 in October, 1940, to 16,400,000 in October, 1943. Ingenious woman power campaigns have been undertaken, with considerable success, in the nine "tight labour" areas. The ability to recruit women workers does not, however, always imply the ability to keep them. Turnover of women workers, it is estimated, is still about three times that of men, and they show an even more disproportionate rate of absenteeism.

The labour-management production committees which were hailed with so much enthusiasm by WPB a year ago seem to be dying out. Only one-third of the original peak number of 2,100 are still active. Labour representatives, according to managements, were too truculent and over-eager to criticise and assume managerial functions.

THE WORLD OVERSEAS

Canada's Empty Spaces

(From Our Ottawa Correspondent)

October 23rd

AS long ago as 1858, Sir Alexander Galt, Finance Minister of Canada, estimated the Canadian North-West as "capable of sustaining thirty millions of souls." This belief was entertained in even more fantastic terms at the end of the century, one eminent optimist forecasting a population of several hundred millions. Sixty years after the "Great Lone Land" was bisected by the Canadian Pacific Railway the population is less than three millions, but the dream has not yet died. Little was heard of it during the agricultural depression of the 'thirties, but it tends to be revived in the discussions of post-war Canada. Journalists are coming back from the Alaska Highway with tales of unexploited resources now made accessible to civilisation. The importance of "filling up the empty spaces" to reduce the burden of overbuilt transportation facilities is being linked to contention that Canada will need immigrants to help carry the post-war debt. In some quarters, Canada is being urged to provide asylum for the millions of Europeans who are expected to migrate. There is even a theory that a large part of the population of the British Isles will want to move to more tranquil regions, if the long-range bomber has not by then made the idea fallacious.

That Canada possesses the transportation and communication facilities, the legislative, judicial and educational plant, the food and raw materials, the power and fuel for a much larger population, and that a doubling or trebling of the present figure would be desirable for many reasons, has been so clear to the Canadian for years that he is puzzled to explain why, despite a vigorous immigration policy, the population has grown so sluggishly. In the first two decades of this century about 3,600,000 persons arrived in Canada, and the natural increase was 2,000,000 in the same period. This should have doubled the population in twenty years had not the emigration exceeded the natural increase, reducing the net gain for the two decades to some 200,000 below the immigration total.

The map of Canada, especially the Mercator projection, has deluded many amateur enthusiasts. It portrays Canada as the northern half of a great continent, with an area of 3,500,000 square miles. Comparing populations and areas in other parts of the world, they think it incredible that

Canada still has a population density of less than four to the square mile.

A resources map is more edifying, showing, as it does, the tundra, the muskeg of black spruce, the vast Precambrian Shield where hunting and fishing, some mining and a little lumbering (none of them conducive to dense populations) are the only possibilities. Still more illuminating is an accurate soil map of the Dominion, which quickly disposes of the theory that there are vast areas of rich agricultural land still to be exploited.

Only nine per cent of the total agricultural area in the Maritime Provinces is in "improved land," and the average acreage per farm is only 34. This follows from the topography, which commonly compels the farming of small pockets and strips. Prince Edward Island is "the Garden of the Gulf," a million acre farm, but its population of 80,000 is smaller than it was sixty years ago. Nova Scotia finds it necessary to import feeding stuffs for cattle and hogs in order to provide for its own industrial population.

The best farm lands in Ontario and Quebec had been already picked over by Confederation, seventy-five years ago. There are two or three clay belts or pockets in the Precambrian Shield, to the north, which might support a few thousand more people. But, apart from a possible—not probable—increase in the density of rural population in the old settled areas, there is no scope for expansion.

West of the Rockies, British Columbia is a "sea of mountains" and, of a total area of 234,400,000 acres, only 4,250,000 acres are classed as "suitable for tillage." The present farm area of British Columbia is about 3,500,000 acres, of which 705,000 acres are arable and cultivated. This acreage supports a farm population of slightly over 100,000. The maximum potential is evidently not great.

The Great North-West

That leaves the "Great North-West," consisting of the three prairie provinces and the territories to the north. It was of this area that the optimists had fondest hopes. As recently as 1940, the Royal Commission on Dominion-Provincial Relations published a survey called "Prairie Population Possibilities." This effectively exploded the notion that there were still immense areas of fertile land awaiting settle-

ment. It showed that the best lands within economic reach of markets had been occupied, that millions of acres of sub-marginal land then occupied would probably be abandoned, that the density of population in the "short-grass" spring-wheat country was falling, not rising, and that so far from offering opportunity for immigration, the prairie provinces had been "exporting" people to other parts of Canada for several years. (In the five years 1931-36, the net loss was 104,000 persons, representing 60 per cent of the natural increase.)

The survey concluded that, in the absence of such unpredictable factors as the discovery of new mineral resources, a revolution in farm techniques and a profound change in the character of external markets, the area could not absorb any substantial number of immigrants, and, indeed, might find a continuing difficulty about absorbing its own natural increase.

These conclusions may be modified to some extent by the nature and direction of Canada's post-war reconstruction policy. Among the projects being examined by the Parliamentary Committee on reconstruction and re-establishment are irrigation projects which, if fully carried out, would result in the irrigation of about 3,000,000 acres of semi-arid prairie soil, at a cost of about \$110 million. The water resources are said to be available and no insuperable engineering obstacles exist. Some power might also be developed in connection with the scheme.

This might well result in a prairie economy capable of supporting a denser population, although in a limited way. No estimate of the increased population which the completion of this irrigation scheme would allow has been made, but information supplied to the Committee gives a rough answer. One clue lies in the fact that this semi-arid region without irrigation requires from 20 to 30 acres per animal for pasture; with irrigation, nearly ten times as many cattle or horses can be maintained. The Lethbridge Northern Irrigation project was occupied by only 1,500 persons before the water was turned on; now it has a population of 10,000 and the standard of living is materially higher. This came from irrigating about 75,000 acres of land. If the same factors are applied to the 3,000,000 acre scheme being examined by the Parliamentary Committee, the new irrigated area might be expected to support an additional 340,000 persons. As this approximates to the natural increase of the prairie provinces for a decade, it may, at best, offer limited opportunities for immigrant settlers.

Skilled Workers Wanted

It is quite possible that the population of Canada will materially increase as a result of factors quite different from the availability of virgin farmland in the Dominion. And, after all, it is urban population, not rural, which Canada needs to move towards a more balanced and stable economy. Agricultural surpluses have been a great blessing lately, but before the war they were a grave problem, and may become so again. The Canadian Minister of Munitions, Mr Howe, stated a few days ago that in the past four years this country had undergone an industrial transformation which, under normal circumstances, could not have taken place in less than twenty-five years. The development of Canada's water power has been accelerated, so that by 1944 ten million horse-power will be in harness. Though there is little basis at present for the theory that our agricultural fringes or northern frontiers will support a large influx of farm people, it is possible to visualise opportunities for numerous artisans, engineers, scientists, executives, clerks and other immigrants attracted by Canada's new urban developments.

Hungarian Policy

[BY A CORRESPONDENT]

THE Hungarian Government Party, which has been in power for almost two decades, achieved its revisionist aims as a result of Germany's political and military successes in Eastern Europe and the Balkans. Since Munich, Hungary's territory has increased by 84 per cent and its population by 58 per cent. This has been the principal factor underlying Hungary's foreign policy, which now aims at maintaining all the territorial "awards." Politically and militarily, Hungary is too weak to be a barrier against German expansion to the south-east. Resistance against a Germany which is still intact would mean occupation. On the other hand, Allied armies advancing from Russia or from the Balkans would be forced to turn Hungary into a theatre of

war if Germany were still able to fight. These are the two extremes which Hungarian policy, directed by "MEP"—Magyar Elet Partja—commonly referred to by Hungarians as the Government Party, has been trying to avoid. This is Hungary's exclusive aim, a phrase which occurs in any speech made by Ministers or Government party politicians. It seems that Kallay and his Ministers have the idea that Hungary will be extremely valuable as a stabilising factor in the Danubian area, at the time of a German defeat and subsequent collapse of the Nazi regime, if actual warfare can be kept away from Hungarian territory. It is a foreign policy at once difficult and dangerous, a policy, moreover, which demands effective national unity. Never has the demand for national unity been so persistent as since the fall of Mussolini, and never has the assurance that Hungary is actually a neutral been so emphasised in public utterances.

If Hungary had been a totalitarian state like Germany, based on a totalitarian mass party, its policy would have been a simple one, as that of a subordinate member state of a totalitarian European Federation dominated by Germany. But the curious nature of the Government party, which holds, together with the affiliated Transylvanian Party, 253 seats out of a total of 370 in the Lower House, prevented the rise of the Arrow-Cross Party or the Hungarian National Socialist party to power. The Government party rejuvenates itself from a curious class of bureaucrats, which has its roots in the class of the petty aristocracy. The party has no fixed programme, and a recent attempt to lay down a programme in more than one hundred points was a ridiculous failure. But the fiercest opposition of the Arrow-Cross party and the Imredy party, largely backed by Nazi influence and money, came to nothing. The leading members of these parties melted away, and some of them found their way back to the Government party. The fall of Mussolini was an extremely heavy blow to the Nazi party, and enabled the Government to recall parliament in November.

The electoral system perpetuates the power of the Government party. It is based on restricted voting, and, in addition, the Government has the power of co-opting new deputies. Consequently, the opposition parties are, from a parliamentary point of view, ridiculously small and are hopelessly split for economic and religious reasons. Attempts at forming a kind of United Front between Social Democrats, the trade unions, the Smallholders' party, the Peasants' Association, the Catholic party, and a Liberal Bourgeois party have so far failed.

The Government, unable to turn Hungary into a full totalitarian regime, is, however, not adverse to adopting specific totalitarian methods. The Levente Youth Movement for boys and girls is clearly modelled after the Hitler Youth Movement. In the persecution of Jews, Socialists and Communists, the Government party is as experienced as the Nazi party. Very conveniently, the demand for land reform was canalised into a policy of expropriating Jewish landowners, who formed a considerable part of the owners of large and medium-sized estates. The textile and clothing trade was cleared of Jews a long time ago, and all Jews are liable to forced labour. At present, parliament is discussing a bill demanding a capital levy on Jewish property. National sentiment is kept alive by propaganda against the suppression of the Magyar minority in the Roumanian part of Transylvania. Students' demonstrations against Roumania have recently been frequent. Naturally, a regime that is forced to allow some measure of political discussion and freedom of the press is subject to some pressure from public opinion. The burning problem of land reform, the heavy burden of the war economy and industrial expansion provide much material for popular discontent.

Agricultural Measures

After several bad harvests, this year's cereal harvest seems to be an average one. Drought, however, has severely affected the maize harvest and the sugar beet crop. Pastures have suffered and cattle herds are rapidly declining because of the lack of fodder. After several unsuccessful attempts at an effective delivery system of agricultural produce, the much discussed Jurscek plan, named after the Secretary of State in the Supply Ministry, has now been put into operation. The system is based on a points scheme of which a wheat unit is the basis. All other products are expressed in terms of this wheat unit, and the delivery quota is fixed according to the taxable income of the estates and peasant property. Nominally, there is no longer any escape from compulsory delivery. Instead of one agency entitled to purchase the entire harvest, there are now 23 big firms in operation, which can buy in any part of the country. In addition, 120

firms have been given the right of purchasing the harvest within the areas of specified districts. The purchases are registered in a so-called Farmstead Book. The control of milk deliveries has been tightened considerably because the bulk was sold on the black market. Closer control of delivery makes it necessary to increase the storage space. Last year, the storage capacity for cereals was increased by 30,000 tons to 280,000 tons, and more silos are now under construction. Larger milk deliveries demand more dairy capacity, and by amalgamation a huge combine of dairies has been formed, which is trying to handle the bigger volume by the rationalising of working processes. The German model of the *Reichsnaehrstand* organisation is visible everywhere.

The delivery system has been rounded off this year by a compulsory cultivation plan. All farms exceeding roughly 25 acres must cultivate 7 per cent of their total acreage with oilseeds, and it is hoped that vegetable fats will remedy the shortage of fats caused by the slaughter of pigs. Attempts are being made to cultivate rice, but to be effective comprehensive land reclamation would be necessary. In fact, Hungary's agriculture lacks the material foundation for an effective wartime system. The large masses of smallholders work inefficient units. Yet a land reform would seriously disturb the present precarious production. The land reform of 1920 was unsuccessful because it created extremely small peasant plots which were inadequate to sustain a family. Laws passed in 1936 and 1940 aimed at larger units. These half-measures, which arrested any real land reform, are in strong contrast to the anti-Jewish laws. Already in 1938, all Jewish-owned land was requisitioned by the state. It was carried to its conclusion by the Kallay Government in 1942, and 490,000 hectares (1,200,000 acres) of agricultural land and 290,000 hectares of forest land (700,000 acres) were virtually requisitioned. The partition of the big estates has, however, been postponed and the requisitioned estates are being administered by the Land-Credit Bank. It is obvious that the land held by the Government is a powerful instrument in internal policy. The small Jewish estates have been handed over to the so-called "Hero-Capital" organisation, which distributes land to officers and men of the 1914-18 army who bear the title "vitez" (hero). The membership numbers at present 24,000 persons. The Government thus distributes requisitioned Jewish property at will. What happens is nothing but a change of ownership. The large estates which are the backbone of the wartime agricultural policy are left untouched, and the mass of peasants are promised real reforms after the war.

Irish Retrospect

[FROM OUR DUBLIN CORRESPONDENT]

October 15th

AN interesting attempt to provide a materialist interpretation of Irish history has been made by Dr Redcliff N. Salaman, FRS, in this year's Finlay Lecture which he delivered in University College, Dublin. Dr Salaman argued that the adoption of the potato as the staple diet of the Irish poor influenced the whole course of modern Irish history by its effects on the price of labour and on the growth of population. The potato was introduced into Ireland about 1588, at the same period that it was introduced into many other European countries. It was a plant well calculated to serve as a popular foodstuff, nourishing and palatable and less cloying to the palate than its rival, the Jerusalem artichoke. Why, the lecturer asked, was it that it was in Ireland alone that the potato spread rapidly and it supplanted many other crops? Soil and climate were very suitable. Deep friable soils of large acid content, a high rainfall, atmospheric humidity and westerly winds are all favourable to potato culture. These conditions, though present in Ireland, were also present elsewhere, and some further explanation must be sought of the successful invasion of Irish agriculture by the potato.

The open three-field system in England, with its traditional rotation and autumn pasturage, was not favourable to the production of a late root crop. In Ireland the rotation was less fixed, plots were smaller, and the "lazybed" method of cultivation was peculiarly suitable for peasants who still were to a large extent migratory in their habits. The "lazybed" was a protection against frost, pillagers and marauders, and had the additional advantage of requiring very little capital. The agricultural revolution in-

BETTER TAKE A MAC



SUCH is the British climate that there are few days when this is not sound advice. It is also a tribute to the memory of the inventor of the "Mac"—a Scot, Charles Macintosh (not Mackintosh as the dictionaries usually say!) who in 1823 produced a waterproof material by impregnating fabric with a solution of rubber in naphtha. How to make clothes withstand water is still a major problem for the chemist, for modern standards demand something more than heavy proofs against heavy weather. Rubberised garments and oilskins are certainly proof against water, but they are also proof against air and in the absence of special ventilating arrangements are apt to be heavy and hot. Your rain-coat today must be light in weight as well as keep out the wet. It must be water-repellent: that is, water must not cling to it. The difficulty is to treat textile fabrics so as to combine protection with ventilation, but a number of methods have now been perfected, some of which can be applied to the most delicate materials. The latest achievement of British chemists is a waterproof finish which will stand up to laundering. Today there are also the special needs of engineers, fitters and others in the fighting services and in industry. Their working dress must be both light enough to give freedom of movement and strong enough for protection against weather. It is to the credit of the chemist that he has enabled the British textile manufacturer to combine these qualities.



No. 2 in the "Services of an Industry" series

Issued by

IMPERIAL CHEMICAL INDUSTRIES LTD.

volved in the spread of the potato coincided with a period of extreme disturbance in Ireland. The country was ravaged by rebellion, invasion and war.

I am of opinion [Dr Salaman states] that the relentless dynamism of war succeeded in accomplishing what the blessings of nature and the goodwill of man failed to achieve elsewhere. . . . It was the discovery that the potato offered the only hope of escape from starvation in times of the direst distress which probably sealed the compact so fraught with consequences between the people of Ireland and itself. From now on, we find that the potato, directly or indirectly, enters into practically every phase of Irish life and can be recognised as a potent factor in the shaping, or misshaping, of the destinies of the people.

The principal consequence of the adoption of the potato as the staple food was that Irish labour became abnormally, indeed disgracefully, cheap. The English and Scottish settlers discovered that the old native population could always underbid imported labour. The Irish peasantry thus succeeded in retaining their hold on the land. Their little holdings were paid for in labour, reckoned at an utterly miserable rate of wages. They were therefore secured in the possession of land, but their security was bought at a terrible price. The history of Ireland in the eighteenth and nineteenth centuries is a record of chronic poverty, punctuated by recurring famines in years when the potato crop was bad. The miserable standard of living, the ease of subdividing farms, the natural fertility of the people and the encouragement, on moral grounds, of early marriages all combined to produce an unparalleled increase of population. Begging and drinking were increased by the potato; begging because of the recurrence of hungry periods of food shortage, and drinking by the dullness and monotony of the diet and the possibility of distilling a coarse spirit from potatoes. In the years following the Union these evils grew apace. In spite of consolidation of farms, evictions and emigration, the population continued its upward course until the worst forebodings of Malthus were completely outdone by the experience of the Famine.

The Famine left a trail of evil consequences, some of which are still active after the lapse of a century. Ireland endured a period of woe that can be likened only to the Black Death: starvation, pestilence, evictions and emigration drastically reduced the population of the country, and the good spirits of the people never wholly recovered from the visitation. The memory of the Famine fanned the flames of hostility to England both in Ireland and in the United States, where the emigrants and their descendants stirred up anti-British feeling, and the improvement of the condition of the working classes in Great Britain was delayed by the influx of cheap Irish labour. All these evils can be traced, according to Dr Salaman, to the Irish people's

reliance on a single cheaply produced and nutritionally adequate food . . . which played the part of the least common denominator in Irish economic life for close on three hundred years with an efficiency as great as it was disastrous.

Portuguese Food Difficulties

[FROM OUR LISBON CORRESPONDENT]

November 11th

SINCE last March, when rationing was first mooted, the need for economy has been officially dri'led into all classes. This year's irregular crops and an all-round reduction in imported foodstuffs call for precautions. Imports were as follows:—

	Jan.-Aug., 1942	Jan.-Aug., 1943
	Tons	Tons
Wheat	69,343	61,649
Maize	36,505	29,250
Sugar	49,220	45,336
Dried Cod	12,372	9,696
Coffee	3,292	1,864
Cocoa	365	228

The reductions, especially of the first four items, fully justify rationing restrictions, which are all the more necessary since official figures show the current cost of living as 60.4 per cent above July, 1938-July, 1939. Moreover, actual daily shopping, irrespective of class, means that a

100 per cent increase is in most instances nearer the mark. The one bright spot is the good olive crop. Cheap olive oil is of first importance, and this can only be assured to-day if export, in any shape or form, is severely restricted. It is one of the main food items of the working classes, being used with every dish. Rationing at official prices is excellent, but to-day is merely theoretical. Oil, officially Esc.9\$80 the litre, fetches Esc.20\$- on the black market, where alone it can be bought. There are innumerable petty prosecutions for deals of as small as 5 litres, but such action, however well meant, merely irritates the public. If, with a notably good crop now being pressed, short supplies of olive oil for local consumers continue, there may well be trouble ahead.

Letter to the Editor

Steel Prices

TO THE EDITOR OF THE ECONOMIST

SIR,—As a constant reader of *The Economist* I was somewhat puzzled by the paragraph on steel prices in your issue of November 27th, and its final conclusion. That, of course, is a matter of opinion, but there were two statements of fact in the paragraph which I venture to question.

1. You say with reference to the Central Fund Levy on Steel: "This levy is not very heavy." But surely a levy which on your own showing accounted for a rise of over 30 per cent in steel plates is a heavy one.

2. You say with reference to the report of the Select Committee on National Expenditure that "They contend that the whole cost, both of high-cost imports (now obtained under Lend-Lease) and of additional payments to high-cost producers should be met by the Exchequer." The Select Committee's Report contains no such contention. The full treatment of the matter is in Part II, paragraph 190, and there are shorter references to it in Part I, paragraphs 52 and 55. In paragraph 190 the Committee say: "It seems to them that it would have been better financial policy to have met this particular factor of increased cost by a subsidy, thus keeping down the whole level of war expenditure." This "particular factor" had previously been referred to as "the exceptional cost of imported raw material resulting from artificial war conditions."—I remain, Sir, Yours, etc.,

House of Commons.

"PRO-ECONOMIST."

Books Received

- From Economic Theory to Policy.* By E. R. Walker. (Chicago) The University of Chicago Press. 273 pages. No price stated.
- The Effect of War on Currency and Deposits.* By C. R. Whittlesey. (New York) National Bureau of Economic Research. 50 pages. No price stated.
- Signpost Booklets. Our Imperial Future.* By The Hon. W. W. Astor. 24 pages. *The Future of Money.* By Norman Crump. 21 pages. (London) The Signpost Press, 38 Parliament Street, S.W.1. 6d. each.
- The Treatment of Post-war Germany.* Edited by R. Flenley. (Toronto) The Ryerson Press. 67 pages. 50 cents.
- Economic Aspects of a President's Popularity.* By W. C. Clark. (Philadelphia) University of Philadelphia. 80 pages. No price stated.
- Why I am a Jew.* By E. Fleg. (London) Gollancz. 62 pages. 2s. 6d. net.
- International Air Transport.* By Brig.-Gen. Sir Osborne Mance. (London) H. Milford. 117 pages. 7s. 6d. net.
- The Displacement of Population in Europe.* By E. M. Kulischer. (Montreal) International Labour Office. No. 8. 170 pages. P. S. King and Staples, Ltd. 4s. net.
- Thomas Barnes of The Times.* By D. Hudson. (London) Cambridge University Press. 196 pages. 10s. 6d. net.
- The Chinese Year Book, 1943.* (Bombay) Thacker and Co., Ltd. 897 pages. No price stated.
- Oxford Pamphlets on Home Affairs, No. H7. British Trade Unions.* By Mary Agnes Hamilton. 32 pages. 6d. net.
- Statistics.* By L. H. C. Tippet. (London) H. Milford. 184 pages. 3s. net.
- British Police and the Democratic Ideal.* By C. Reith. (London) H. Milford. 280 pages. 12s. 6d. net.

Germany at War

Totalitarian Youth

AS the war drags on, ever greater demands have been made on German youth. During the autumn months of 1943 something like a fresh mobilisation of young people for war purposes has shown the extent to which the Nazi leaders rely upon German youth to carry on the struggle. On the customary "day of *Wehrtuechtigung*," or "Pre-military training day," in October, Hitler marked the occasion by sending a special address. Then followed the opening of the first wartime vocational competition for working youth. A new Penal Code for Juveniles was issued. Dr Goebbels, opening the "youth film hours" special winter programmes for young people, appealed to them to stand fast during the new bombing offensive.

What the young Germans do, or do not do, cannot in itself be decisive in maintaining the war effort. All this campaign is part of a series of measures designed to maintain the fighting strength of the Wehrmacht, as well as industrial output, for a long and terrible war. Within Greater Germany the Wehrmacht can recruit about 500,000 boys a year. At present the 17-year-olds are finishing their six months' service in the Compulsory Labour Service. The 18-year-olds have been at the front since the summer. In other words, for some time to come, the Wehrmacht can replace an annual loss of half a million men.

At the beginning of the war pre-military training was entrusted to the Hitler Youth Movement under the supervision of the SA. After Stalingrad pre-military training came under the direct supervision of the Wehrmacht. Selected boys are now trained in special camps. The instructors are soldiers with front-line experience. From these boys the Wehrmacht selects future officers and non-commissioned officers. The Hitler Youth maintains, in addition, special groups in which boys are trained to be motor-car drivers, pilots, signallers and sailors. It can be assumed that at least 50 per cent of any class of young men called up for the Wehrmacht have already had an extensive military training.

Work in Factories

The present campaign of exhortation is necessary because of difficulties in the factories, as well as Wehrmacht losses. There is a shortage of boys and girls for apprenticeship in almost all occupations. This year only two-thirds of the vacancies could be filled. The shortage has become more pronounced because of the reduced numbers at school-leaving age and the growing calls of the Wehrmacht. But leaving age and the growing calls of the Wehrmacht. In a one underlying reason is the wasteful way in which, in a totalitarian system, young labour is exploited. Germany has a long tradition of a very extensive vocational training. In the absence of a free labour market voluntary vocational guidance has become conscription according to a central plan. The labour exchanges direct boys and girls into jobs whether they are suitable or not. Psychological and intelligence tests have become just a pretext for placing them as the plan requires. The workshops of artisans, which have absorbed yearly more than 100,000 apprentices, have been closed down in great numbers. Young people go more and more into factories as actual workers to pick up their training, if any, by chance. On paper, in contrast to these actual conditions, there is a flood of decrees and measures regulating in detail training, tests, wages and every detail of working conditions. Now, after four years of war, a "Reich-vocational competition" has been opened, which will go on throughout the winter. In industry, commerce and agriculture boys and girls will be assembled to show what skill they may have picked up. The winners will be sent to "selection centres" to be trained according to their ability. The Nazis think always in terms of military organisation, and the main object of this competition is to find N.C.O.s for the factories.

An equally pressing problem has been the deterioration of factory discipline. The carefully built up system of factory youth wardens and all the activities of the Youth Branches of the Labour Front have broken down. The youth-leaders and wardens are now serving in the Wehrmacht. Special regulations for maintaining discipline, among them, "week-end custody" and now "youth imprisonment," have become necessary. At the compulsory voca-

tional schools there is a shortage of teachers. In the factories boys and girls are much influenced by the presence of foreign workers. Some of them who have been made foremen over foreign workers at the age of 17, or even 16, display an overbearing attitude. The rest imitate the slow working methods of the foreigners. The aim of the present propaganda campaign is to counteract these influences.

Each successive stage in Germany's war economy has reacted in two ways on young people in factories. Apprenticeships were cut short by the closing down of shops and factories. Theoretically, the boys and girls remained apprentices, but, in fact, had to do the work of unskilled labour in the factories to which they were directed. Bombing and the evacuation of women and children from bombed industrial centres left young people at work without parents and in many cases without a home; they had to stay with their factories. The number of boys and girls housed in special youth hostels and camps has been increasing steadily.

Little Totalitarians

Young Germans between the ages of 10 and 17 present in their organisation and activities an exact replica of the hierarchical political, industrial and military organisation of adults under the Nazi rule. The total nature of the war effort is made astonishingly plain by an analysis of what the different age groups are doing. Schoolchildren between the ages of 10 and 14 are mainly employed in collecting waste and salvage. From 13 onwards all boys and girls are liable to do compulsory service on the land during harvest periods and other war work, including street cleaning, hospital work, service as tram-conductors, and so on. Between 14 and 16 physical exercises on military lines are compulsory. After that, pre-military training begins in earnest. Girls up to 16 do their war work in hospitals, in the so-called neighbourly or domestic help and on the land. At 16 they enter the "Service Year," which is a form of compulsory domestic service. The seven months' compulsory labour service for girls has been extended by five months of "war-help service," or as an alternative service in the home establishments of the Wehrmacht, in military hospitals or on farmsteads. Heavier air raids have produced the "Luftwaffe helpers," boys of 15 and 16 years from secondary schools serving with anti-aircraft batteries. Boys and girls are also recruited as fire-fighters.

Most significant of all these activities, however, is the actual system of education and schooling. Besides the normal elementary and secondary schools, a variety of Nazi party schools have been formed. These "National Political Schools," which are boarding schools, train N.C.O.s for the Nazi party and the political administration. The "Adolf Hitler Schools" prepare selected boys for the higher political and military careers up to the age of 18 years.

The Hitler Youth Movement itself is the supreme controlling body of all these activities, with its own judiciary and its special patrols in the streets watching over boys and girls who offend against the curfew or the prohibitions on smoking, drinking and visiting cinemas during the black-out.

SIGNPOST BOOKLETS FOR TO-DAY

Now Ready

THE FUTURE OF MONEY

By Norman Crump

OUR IMPERIAL FUTURE

By the Hon. W. W. Astor, M.P.

PRINCIPLES or PREJUDICES

By Kenneth Pickthorn, Litt.D., M.P.

Other titles ready shortly

In *Signpost Booklets* a wide range of problems of the post-war period are discussed in a manner at once informative and stimulating, by well-known men and women possessing a special knowledge of their subjects.

ORDER FROM YOUR BOOKSELLER TO-DAY
SIGNPOST PRESS, 38 PARLIAMENT ST., S.W.1

Each 6d. net



THE BUSINESS WORLD

The Dollar Problem—II

LAST week's article contained a summary discussion of the analysis* made by the United States Department of Commerce of America's balance-of-payments experience in the period 1919-1939. Space precludes the reprinting of the table that contains the main evidence, which can be found on page 717 of last week's issue. The conclusion can, however, be briefly summarised by saying that the supply of dollars was highly erratic, and also that it had a tendency to be inadequate, though this inadequacy would not have been so marked if it had not been for the panic inflow of foreign funds, for which America can hardly be held responsible. (In the five years 1935-39, the gold inflow was \$8,813 million; in the same years the recorded inflow of foreign-owned long-term and short-term capital was \$4,047 million, and it is probable that a large part of the "unexplained" inflow of \$1,988 million was also composed of foreign-owned funds which escaped recording.) What is the position likely to be after the war? What probability is there that the supply of dollars will meet the report's desiderata of being both adequate and regular?

The discussion of these questions is quite the most valuable part of the report, the more so since the conclusions reached are stated with clarity. They are disturbing. In merchandise trade, the authors of the report are clear that

both exports and imports probably will increase in total value as compared with their pre-war levels, but the forces stimulating exports will be different from and stronger than those determining imports.

In brief, the shortage of dollars will be intensified. Nor will they concede that the position will be substantially better (as is often argued) in years when America is prosperous than in lean years. Even if full employment is attained in the United States

the resulting stimulus on imports should not be exaggerated. . . . The behaviour of imports stands in marked contrast to that of exports, which consist largely of high-standard-of-living goods and which, under conditions of economic expansion and rising incomes abroad, are susceptible of attracting a still more rapidly growing volume of foreign purchases. Imports of some finished manufactures, it may be noted, demonstrate a capacity for rapid increase in times of rising prosperity similar to exports, but the variety

* "The United States in the World Economy." Economic Series No. 23. Prepared in the International Economics and Statistics Unit of the Bureau of Foreign and Domestic Commerce by Hal B. Lary and Associates. Published by the Government Printing Office. 216 pages. 35 cents.

of such goods has been severely limited by the tariff, and they constitute only a minor part of the total.

Under the head of services and invisible trade generally, the conclusion of a careful discussion is the same—namely, that the balance can be expected to shift sharply in favour of the United States. This conclusion is qualified, however, by the probability that for several years there will be substantial American grants to the outside world for relief purposes.

The main conclusion is that, whether or not there was a problem of the dollar before the war, there will certainly be a very serious problem of the dollar after the war.

Examination of forces and trends now discernible in our international transactions indicates that, especially after the termination of immediate post-war aid to foreign countries by the United States, the flow of dollars supplied through purchases of goods and services from other countries will be not only less than they would like to spend in this country, but less than they must spend if reconstruction and development programmes abroad are to be carried through on a scale commensurate with basic needs and legitimate aspirations. In addition to retarding recovery and progress abroad, with attendant delays in the achievement of a more peaceful and orderly world society, restriction of our international transactions to a relatively low level would . . . inevitably mean perpetuation of restrictive trade and financial controls abroad and further development of bi-lateral arrangements among foreign countries to the exclusion of the United States.

There is nothing in this that is very new or surprising, at least to a British observer. But it is most valuable and opportune to have the diagnosis thus authoritatively confirmed and backed with such impressive documentation. There is a tendency in America to regard the need for international financial reconstruction as virtually synonymous with the need to rescue the pound sterling. Mr Leon Fraser, for example, has recently referred to the weakness of sterling as "the world's financial problem number one," and there is a disposition among many of his compatriots to ascribe British hesitations about agreeing to the immediate restoration of free exchanges and stable exchange rates simply to lack of self-confidence in Britain's ability to surmount her difficulties. But if the Department of Commerce is right (which admits of virtually no doubt) it is not the pound, but the dollar that is the world's financial problem number one. It is not the propping up of the one that is likely to be the major necessity so much as the holding down of the other. And it is not British pusillanimity that impedes the immediate return to a gold standard, stable exchange, free trade world so much as a lively apprehension of the problems that are likely to be set to the world by the American balance of payments and a desire, before entering upon commitments, to see what proposals are put forward for solving these riddles.

The authors of the report have two suggestions to make. "One way [to make available a larger and more stable supply of dollars] is by a renewed outflow of American capital, and the other is by positive measures to permit a larger volume of imports." If there is any criticism that can be made of this admirable report it is that these possibilities are not analysed with the same realism and the same quantitative spirit as the other topics discussed. It is not, perhaps, for officials of the Department of Commerce to forecast to what extent Congress is likely to reverse its high tariff policy. But they might have gone further in attempting to assess what the effects of a substantial reduction of the tariff would be. Looking backwards they say that "the wide fluctuations in domestic economic activity and world prices were of much greater consequence in determining the behaviour of imports during the interwar period than were upward or downward revisions of the tariff." If this was true before the war, why should it not be true after the war? Indeed, it may very well be that the much-abused American tariff is more of an irritant than a real obstruction to the flow of trade. It is

almost certainly true that any reduction in the tariff that is at all likely to be politically practicable would be wholly inadequate to solve the problem of the dollar. It may be, in fact, that the problem should not be regarded as the fruit of aberrations of policy (or at least of economic policy, for two world wars have played their part in bringing it about), but that it should be looked upon as the result of a set of economic circumstances never contemplated by the textbooks—namely, the existence of a country which, all policy apart, needs so little from the rest of the world, while the rest of the world requires so much from it, that an equilibrium of accounts can be brought about by no means available to a free, or even a tolerably free, market.

There remains the possibility of international lending as the *deus ex machina*. It is a possibility—but before it can be called a probability there are several reasons for scepticism to be mentioned. First, such lending would have to be very large. The average deficit in the supply of dollars in the decade 1930-39 was \$507 million a year out of a total demand of \$4,095 million—or if the rather exceptional years 1938 and 1939 are omitted, \$405 million out of \$4,017 million. It is true that these figures include in the "demand" for dollars sums used by foreign countries in purchasing American securities; but so long as there is a risk that another war will start with a "cash and carry" period, some reconstitution of dollar reserves by other countries must be allowed for. It is, of course, hazardous to put any figures upon the future trends that are discussed in the report. But it may very well be that, after the immediate relief period is over, the annual deficit in a reasonably free market (i.e. the deficit that would arise if countries put no more restraints on their citizens' use of dollars than they did in the 1930's) would rise from the half-billion of the 1930's to, say, a billion and a half in the late 1940's and the 1950's. This is a very large sum indeed to be lent internationally. Secondly, loans only postpone the

day of reckoning unless they lead to an increase both in the exports of the borrower and in the imports of the lender. What products are there which the world, with the aid of American capital, can put itself in a position to sell in larger quantities on the American market? Thirdly, loans are of assistance to close the gap in the balance of payments only to the extent that they are not spent by the borrower on additional American goods. Some part of almost every loan is spent on labour and local supplies in the borrowing country; but there is also a tendency, notably in the United States itself (as witness the Import-Export Bank's loans to Latin America), to stipulate that any supplies not available locally must be bought from the lending country. There is something of a vicious circle in this. Private loans are less likely to have such restrictive clauses than those that are made with public money. But if the volume of lending needed to balance the accounts is too large for private resources, as it almost certainly will be, public funds have to be brought in, and their restrictive clauses immediately increase the total of lending necessary to cover a given gap in the balance.

It would be a mistake to reach a conclusion of hopelessness. There may be hitherto unrevealed factors that will help to solve the problem—for example, an inflationary rise in costs in the United States unaccompanied by any fall of the dollar or any enhancement of tariffs. It would be even more of a mistake to discuss the subject in terms of criticism when the unfortunate situation that looks like arising is not the deliberate product of policy and may possibly not be susceptible of correction by policy. But it is also clear that it would be the very height of folly for other countries, and especially for Great Britain, to engage themselves in any rigid or inescapable commitments until it can be seen far more clearly than at present whether any solution can be found to the great dollar mystery.

Business Notes

Brazilian Debt Settlement

The general terms of the agreement reached between the United States of Brazil and the holders of sterling and dollar loans, and the details insofar as they affect the former loans, have been available for almost a week, and there have been daily adjustments in market quotations, often of considerable magnitude. There has also been a great deal of discussion of detail, aimed at securing a just assessment of individual stocks, but not much has been said of the plan as a whole. The first point which seems to call for comment is that all parties were agreed that the settlement should be permanent. Since Brazil had fixed the annual charge—and only made minor concessions in this respect—and since it was fixed at a level which appears to ignore the great change which has taken place in that country's economy in the past few years, her attitude is easily understood. But the representatives of the bondholders know that a settlement is only permanent so long as the debtor cares to implement it. That they should have been prepared to base such a settlement on past history suggests that they have very little confidence in the industrial development of Brazil after the period of scarcity is ended. The second point is that Brazil wished that the terms should include a partial repayment of capital, doubtless at a substantial discount, as an essential part of the plan. This the lenders have been able to reject in part, but only by the expedient of a double option. The bondholder is given the choice between (i) a partial repayment in cash at a heavy discount, a current interest rate of 3½ per cent on the remainder of his holding, and a rate of amortisation which ranges from over 33 to a small fraction of 1 per cent; or (ii) the retention of the whole holding with a substantially lower sinking fund and a rate of interest which is always lower than under the other choice, and usually very much lower. Apart from the needs of individual investors, the decision which option to adopt will depend on the estimate of Brazil's future credit status. If the view of those who made the agreement is adopted, certainly holders of all junior securities and probably those of some senior ones ought to opt for partial repayment at once. It must not be forgotten, however, that the extent to which either option is used will vary the amount of money employed for redemption as a whole.

Apart from the question whether the total which Brazil is prepared to devote to the service of her foreign debt is

reasonable, there is the possibly more important question of its division among the very long list of securities involved. While the terms are much better than those of the temporary settlement of 1940, the division among the various groups is broadly similar. The plan covers, not only the original obligations of the Central Government, but those of the states and cities. Even within the first class, little regard appears to have been paid, either to the terms of the original loans or to the principle of allocating special revenues to the debt service. It is probable that no tying down of revenues would avail to secure the service if the Brazilian authorities were averse to meeting it; but it should surely have been possible to effect a division of the reduced service in an equitable manner between the various classes of debt. The clue to the failure to do so is, presumably, to be found in a sentence from the statement made by the Council of Foreign Bondholders, which runs as follows:—

Moreover, the allocation of the available money between the various bonds revealed marked differences of outlook, not only between the creditors' representatives and the Brazilian Government, but between the British and American points of view.

It is easy to agree with the Council that the result is unsatisfactory. But it is necessary to go further than that. There is no hope of securing a reallocation in this instance, and it is, perhaps, the case that no other settlement of similar interest and complexity is immediately in view, but nothing less than the whole basis of international lending is involved. It is useless, on the one hand, to talk of international loans to assist the less economically developed countries to improve their position, and, on the other, to destroy all means of assessing the precedence of any given international debt. Even if all loans are in future to be between states and not by individuals to states, some means of obtaining adequate security and of establishing priority will be necessary, since it is highly improbable that all

A TOWER OF STRENGTH
SOLID · SAFE · SECURE

*All classes of
Fire & Accident
Insurance*

also
ADMINISTRATION AND
FIDELITY BONDS,
TRUSTEESHIPS,
RECEIVE SHIPS, ETC.

THE BRITISH LAW
INSURANCE COMPANY LIMITED
Head Office: 31 & 32 King St., Cheapside, London, E.C.2

ESTABLISHED 1824

SCOTTISH UNION AND NATIONAL
INSURANCE COMPANY

ASSETS EXCEED £18,500,000

FIRE LIFE ACCIDENT MARINE

Edinburgh: 35, St. Andrew Square.
London: Northgate House, 20/22, Moorgate, E.C.2
and 46, Pall Mall, S.W.1.

finance will be arranged on the basis that any state which participates in any international loan is to share in all in the same proportion.

Brazil's Balance of Payments

The Brazilian debt scheme makes an attempt to adjust the burden of the external debt charge to the framework of what can be regarded as a "normal" Brazilian balance of payments. The full statutory foreign debt service of Brazil would call for an annual outlay equivalent to £23 million. Seldom has the Brazilian favourable balance of payments exceeded this figure, and in good pre-war years it hovered around £20 million. Out of that figure not only the foreign debt but other important invisible outlays had to be met, and it is not altogether surprising, therefore, that the history of Brazil's relations with her external bondholders should have been frequently punctuated by defaults. Under the 1940 arrangement, now being superseded, the external debt service called for annual payments equivalent to about £4 million. The new scheme calls for something between £7,700,000 and £8,300,000 a year, according to whether bondholders choose option one or two. These figures do not appear impressive in the light of the current balance of Brazil's international payments. For 1942 the favourable balance amounted to about £35 million. This figure, however, must be deemed wholly abnormal. The Allied Powers have been buying everything that Brazil can offer them. For example, Brazilian meat has been bought in substantial quantities, whereas in normal times it would not find a market. Brazil has, during the war, sold cotton manufactures to West Africa and to neighbouring South American countries, but will find it more than difficult to retain these markets when competition from Lancashire and other manufacturing centres is again met after the war. Imports into Brazil have, by contrast, been curtailed to a minimum owing to shortage of goods and of shipping. A substantial part of the materials going into Brazil enter on Lend-Lease terms and do not have to be paid for. These abnormalities explain the exceptionally favourable balance of payments of Brazil and the ability

of the country to build up substantial reserves of sterling and dollars. The latest debt offer is attuned to that abnormal situation in that, under option two, it offers bondholders partial cash payments which would involve an outlay of as much as £23 million if all bondholders were to choose it.

Credit Stringency

The turn of the month of November was marked by considerable stringency of credit in the money market. It is normally a difficult period because of the temporary immobilisation of funds in Government accounts preparatory to the big War Loan dividend payments on December 1. On this occasion the pressure was increased by the fact that one of the largest clearing banks was making up on the last day of the month and by the banks' heavy Treasury deposit receipt payments this week, namely £100 million, against which effective maturities were somewhat below £50 million. The market, for its part, appears to have made insufficient preparation for the inevitable stringency, no doubt on the confident assumption that "everything would be looked after" by the authorities. Although the authorities did ultimately "look after" things, both by direct purchases of bills from the market and by providing the required resources indirectly through purchases of bills from clearing banks, it was not until many discount houses had passed through some anxious moments watching the hands of the clock moving all too fast towards 3 o'clock. After the turn of the month the position was fairly quickly restored. In the past, War Loan dividend monies have taken a long time to trickle back to the market, but the response to the authorities' request that dividends should be paid direct to bank accounts has shortened that period, and by Wednesday there were already indications that the credit position was being eased by this factor.

TDR's Leap Ahead

The monthly debt return, covering the four weeks ended November 27, 1943, shows a net increase of about £244 million in the nominal total of Government debt during this period. Of this, £132 million was raised by short-term borrowing. Treasury deposit receipts again provide the chief ingredient in this last total, the net amount raised through this channel being £78 million, which carries the amount of TDR's outstanding to £1,291 million. The gross amount raised was £240 million, and, of the redemptions of £162 million, it is notable that pre-encashments only accounted for £26 million. This latest jump in TDR's outstanding makes it virtually certain that when the clearing banks issue their November statements, the aggregate figures will show TDR's above the total of investments and thus taking first place in the ranking of bank assets. The October statements showed a gap of only £23 million between the two items, and this should be covered, and with a good deal to spare, during November. The balance of floating debt borrowing was, in the main, contracted through ways and means advances. Advances from the Bank of England increased from £16,750,000 to £27 million (having no doubt been at zero for a considerable part of the intervening period), while there was a jump of about £41 million in advances from public departments. The later movement probably represents the accumulation of savings banks and extra budgetary funds pending their more permanent investment by the National Debt Commissioners. The Treasury bill issue is now very static, the past month's rise of £6,595,000 almost exactly cancelling the previous month's fall. This stability contrasts with the persistent and considerable expansion in TDR's. Even the "tap" issue of Treasury bills has remained close to its present figure of £1,868 million since February of this year. During the intervening months, Empire and other official sterling assets held in London have continued to increase in substantial measure. It was the expansion in these assets which to a considerable extent explained the increase in the issue of tap bills, and the recent stability of that item suggests an interesting change in the investment of these official funds.

"Berwick" Stockholders' Association

The formation of the London and North Eastern Railway Stockholders' Association, Ltd., under the chairman-

ship of Mr Austin E. Kavanagh, to put pressure on the Government to vary the existing railway agreement, seems to be a move of doubtful wisdom. It is, of course, true that the disparity between the standard revenue under the Act of 1921 and the receipts under the present agreement is greater in the case of this line than of any other, but this merely serves to stress the defects of the 1921 scheme. Few who remember the discussions which preceded and followed the fixing of the capitalisation of the four new group railways will deny that, whatever might be thought of the other lines, the prospects of earning anything appreciable on the junior "Berwick" issues were considered slender. Even in 1921 it was felt to be improbable that an arrangement based on 1913 traffics would work out very well. There is correspondingly less justification for returning to that basis after the lapse of a further 23 years, and those the most critical in the history of railways from the standpoint of the stockholders. That is, however, precisely what Mr Kavanagh's association does, and it bases its argument on the ground that all the assets of the company are now fully employed. There is no reason to suppose that, where the railway managements and the Railway Stockholders' Association have failed, this much less representative body will succeed. Nor is it particularly desirable that railway stockholders should speak with different voices through these two bodies, as they very well may. While it is hard not to feel some sympathy for those railway stockholders who are still receiving little, or it may be nothing, on their stocks, sympathy must be extended equally to a very high proportion of investors in other fields whose luck is little better and may even be worse. One thing is certain. The rights of railway stockholders must be based on the part their physical capital and organisation can play in peacetime under conditions as nearly approaching competition as may be, not on the purely artificial results obtained during the war. If, for strategic or other reasons, the country wishes to retain in being any part of a system which would not survive under the test outlined, there is every reason for relieving the stockholder of any burden on that account. There can be none, however, either for subsidising the stockholder or for giving a purely artificial protection to the lines in general in order to preserve in being those fractions

which are uneconomic. What is really required is modern costing methods as a check to the policy of charging what the traffic will bear.

Electric Power Companies

The report on the future of the electricity supply industry, submitted by the Incorporated Association of Electric Power Companies to the Minister of Fuel and Power, has little in common with the sweeping proposals made by the Electrical Power Engineers' Association. The latter proposed a drastic reorganisation of the industry, whereby the generation, transmission and retail distribution of electricity would be carried on by a single public authority, by a "National Electricity Supply Board." The Incorporated Association of Electric Power companies—the association representing part of the privately owned section of the industry—takes the view

that revolutionary changes in the constitution and management of electricity distribution, such as are inherent in ownership by a public corporation or regional boards, would result in a serious and unnecessary dislocation of the industry without any compensating benefit to the community. The Association, in fact, falls back upon the report of the Committee on Electricity Distribution—the McGowan Committee—which recommended (in 1936)

the retention and utilisation, where possible, of the larger and more efficient of the existing undertakings (both public authorities and companies) and the absorption by such undertakings of the smaller and less efficient undertakings.

As an initial step, the Association suggests the passing of legislation suspending the exercise of the rights of purchase by local authorities and other bodies of electricity undertakings in order to prevent the splitting up of comprehensive undertakings. The Electricity Commissioners would then delimit suitable electricity districts and appoint a scheme committee for each district to prepare and submit to the Commissioners, within a prescribed period, a draft scheme for the improvement of electricity distribution "in accordance with the views and recommendations of the McGowan Committee." The scheme committees would consist of re-

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES



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 embodied in MILNERS' STEEL EQUIPMENT, which is designed to promote office and factory efficiency. When peace returns MILNERS' organisation will be ready to resume its world-wide service, using past experience to ensure efficient designs for the future.

MILNERS
STEEL
EQUIPMENT

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

THE FUEL WATCHER'S JOB

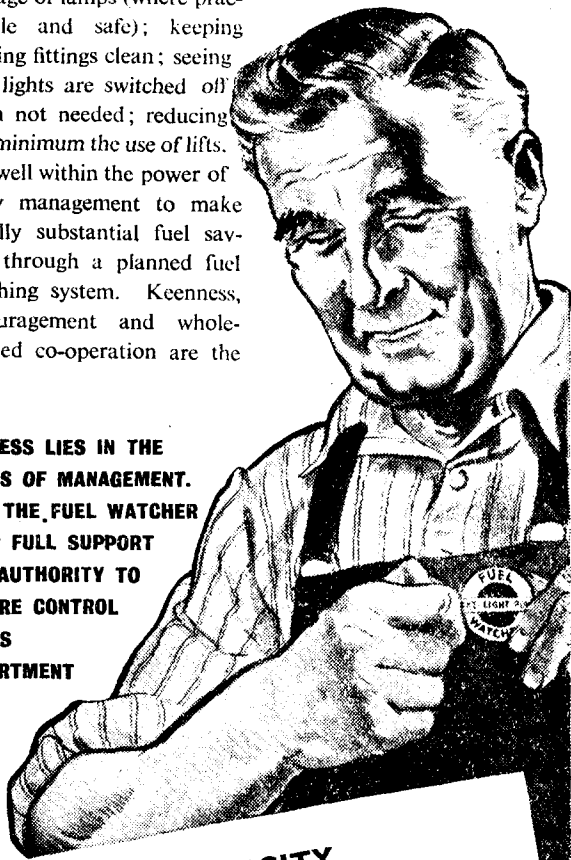
MANAGEMENT'S RESPONSIBILITY

Through a fuel watching system which is properly planned and supervised, management can encourage and ensure the active co-operation of every single employee in the effort to save fuel. Everybody is made to realise that the small amount each can save makes a substantial saving for the plant as a whole.

Here is an example of what planned fuel watching can do. At a place in the North there has been, in electricity alone, a 40 per cent. saving as a result of reducing idle running of machines; planning capacity furnace loads; lagging electric ovens; reducing the wattage of lamps (where practicable and safe); keeping lighting fittings clean; seeing that lights are switched off when not needed; reducing to a minimum the use of lifts.

It is well within the power of every management to make equally substantial fuel savings through a planned fuel watching system. Keenness, encouragement and whole-hearted co-operation are the keys.

**SUCCESS LIES IN THE
HANDS OF MANAGEMENT.
GIVE THE FUEL WATCHER
YOUR FULL SUPPORT
AND AUTHORITY TO
ENSURE CONTROL
IN HIS
DEPARTMENT**



WATCH ELECTRICITY

Industrial consumption of electricity is rising rapidly. Impress upon your Fuel Watchers that every saving of electricity is a saving of coal. Examine meter readings each week. If there is a rise in consumption, find out if it is justified. If it is not, take immediate steps to check it.

The Secretary of your Regional Fuel Efficiency Committee can advise you on the organisation of Fuel Watching.



The Ministry's Regional Offices are at:
GLASGOW • NEWCASTLE • MANCHESTER • LEEDS
BIRMINGHAM • NOTTINGHAM • CAMBRIDGE • CARDIFF
BRISTOL • READING • LONDON

ISSUED BY THE MINISTRY OF FUEL AND POWER

representatives of the authorised undertakers in each electricity district, though the schemes would be subject to the approval of Parliament. The Association suggests that, if Parliament decides that the industry should ultimately come under public ownership, fifty years should expire before the first optional purchase date. It advocates a measure of standardisation of tariffs—not to be confused with uniformity of charges—and of voltages and systems. It is difficult to resist the conclusion that the Association has been concerned mainly with the problem of maintaining the private sector in the industry. There is nothing wrong in this. But quotations from the McGowan and other reports hardly provide a convincing answer to the proposals of the Electrical Power Engineers' Association.

London Chamber's Recommendations

The recommendations of the London Chamber of Commerce to the Cohen Committee on the reform of the company law contain much that is excellent. In particular, they favour imposing on all investors the duty to disclose the beneficial ownership of shares and this would have retrospective effect. They also favour the preparation of a consolidated balance sheet and profit and loss account and the compiling of all the accounts involved with reference to a single date. It is less easy to be enthusiastic about the concession that, if this means a prohibitive amount of work, balance sheet dates may differ, but there must be a reconciliation statement. Apart from the question as to whether any company should be allowed to have so many subsidiaries as to make this position possible, it is surely only necessary to spread the work of auditing over a larger number of firms to secure the necessary speeding up of the process. An interesting suggestion is to substitute the voting list for proxies in the normal course and to reserve the proxy for cases where it is desired to send a representative to the meeting and leave it to him to use his discretion. Although interesting, this suggestion ought not to be adopted. It presupposes that the shareholder is not fully informed before the meeting, and the whole essence of the matter is that, in these days of widely spaced holdings, all the information ought to be available well before the meeting. The Chamber of Commerce also favours the publication of a trading result. This is a step in the right direction but not a long enough one. A trading account is required, if the shareholder is to have any real idea of the efficiency of those in charge. It is, however, on the matter of publication of inner reserves that the Chamber seems to fail to understand the modern trend of feeling. It is, of course, quite true that most companies use their reserves in a perfectly proper manner. All laws are, however, made to control not the majority, but the disreputable few. Further, there can be no question but that the owner of the business is entitled to know what his money has earned and what is being done with it. This is recognised in the recent recommendations of the Institute, which the London Chamber appears to ignore. It is, presumably, a similar belief that the concealment of a great deal of information is justified which accounts for the fact that no recommendation is made as to the publication of accounts by private companies. Without this it will always be possible for the unduly secretive and the ill-disposed to conceal anything.

Waring and Gillow Scheme

Unlike schemes submitted some months ago by other Oxford Street stores, that of Waring & Gillow (1932) is of strictly limited scope. The profits of the company for the year ended January 31st last have reached a level where some payments of interest are possible, but it is intended to retain them as additional working capital and the new arrangement is to run from that date. Briefly, interest on income debentures—themselves issued in satisfaction of interest arrears—has not been duly met. It is proposed to fund this by the issue of 5 per cent cumulative redeemable priority preference shares. The necessary capital to cover the issue is provided by writing down the ordinary capital from 20s. to 12s., but this involves no surrender of equity, nor any sacrifice other than that arising from placing a new charge in front of them. Since this charge replaces double the amount of accumulated arrears of interest, it is likely to be a benefit, rather than the reverse, to holders of both ordinary and pre-

ference capital. Further, there is no danger that the new charge will constitute a permanent reduction of the profits accruing to either of these classes, for the new priority shares are to be redeemed over a period of twenty years, provided profits are available. Redemption of the priority shares ranks, to this extent, before dividends on the old preference issues, but they will benefit almost at once from any material expansion in distributable earnings. The board, however, reserve the right to use such funds for accelerating the repayment of the new priority shares. Those who have evolved the scheme are to be complimented upon their simple and direct approach to the problem and upon limiting their action to what was necessary instead of attempting to pre-judge the results of a period which must be full of uncertainty.

Aircraft Production

The replies of the departments to the Select Committee on National Expenditure (published as the Committee's 17th report) do not give much new information about the activities of the various Ministries. As usual, there is the inevitable time-lag, first between the Committee's investigations and its report, and then between the Committee's report and the departments' replies. For instance, the Ministry of Fuel, replying to the 8th report, is able to announce as a *fait accompli* the measures undertaken, or in train, to ensure fuel economy both by domestic and industrial users, to introduce new mining machinery and to speed up the procedure for dealing with absentees. To say this is by no means to detract from the value of the Select Committee as a watch-dog over de-

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 & 20 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 Adey Point Amritsar Bombay Calcutta Canton Chittagong	Cochin (S. India) Colombo Delhi Kandy Karachi Lahore	Madras Mandalay Nuwara Eliya Rangoon Tuticorin Zanzibar	Kisumu Mombasa Nairobi Nakuru Entebbe Jinja Kampala	Kenya Colony British E.A. Uganda
--	--	---	---	--

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 NATIONAL BANK OF SCOTLAND LIMITED

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.

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

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, 3,921 Agencies at Post Offices in Australia.

As at 30th June, 1943—General Bank Balances ... £287,573,348

Savings Bank Balances ... 221,064,631

Note Issue Department ... 149,496,942

Rural Credits Department ... 2,464,150

Other Items ... 21,990,375

£682,529,446

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 \$1,400,000,000

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

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)

partmental procedure and efficiency. One of its most useful reports was that on aircraft production, on which the Ministry of Aircraft Production, the Air Ministry and the Ministry of Labour have now offered their comments. The Select Committee had praised the achievements of the industry, which had started from scratch and built up a formidable organisation, but had nevertheless shown that there was room for improving its efficiency. The Committee was concerned at the effects of programme changes and constant modifications of types, which were often not sufficiently discussed with the industry and resulted in a loss of output. It recommended a review of dispersal firms, with a view to eliminating inefficient units and concentrating capacity on the most efficient; a reduction in the number of sub-contractors and fuller utilisation of the Ministry of Production regional machinery. It suggested the strengthening of the technical side, by arranging for closer co-operation between the drawing and planning departments, and encouraging training and research, while it considered that more attention should be paid to personnel management, with a view to reducing excessive labour turnover and wastage. The Air Ministry and MAP deny that excessive dislocation has arisen from the change-over in types and stress the need for flexibility in order to maintain operational superiority. MAP states that the advantages of employing immobile labour and the efficiency of many dispersal units makes it undesirable to undertake any rapid concentration of their capacity, but that steps are being taken to increase their output by making them specialise on particular items. The Ministry considers that good use is made of the regional machinery for finding capacity and placing sub-contracts. The importance of research and training and of personnel management are recognised. There are clearly many matters on which the outsider is not qualified to judge, but now that the development of the bombing offensive is placing an increased strain on the industry's resources it is imperative that every effort should be made to attain the maximum degree of technical efficiency and economy in aircraft production.

Royal Bank of Scotland

The "statement of the affairs" of the Royal Bank of Scotland, covering the year to the second Saturday in October, conforms to the broad lines of banking developments in this country over the past year, but in matters of detail presents some interesting contrasts. The expansionist trend is evident in the growth of deposits from £89,200,000 to £95,337,000, and of notes in circulation from £6,357,000 to £7,622,000. The whole of this expansion in resources finds its counterpart in the holding of liquid assets and investments. Government securities, which are by far the largest assets item, have risen from £39,342,000 to £43,310,000. Cash is up by over £2,000,000, money at call and short notice by over £1,500,000, and bills discounted by some £300,000. The most interesting contrast with the experience of the clearing banks is the stability of the Royal Bank's holding of Treasury deposit receipts, which, at £7,000,000, show no change over the year. The total of TDR's outstanding over the comparable period rose from £760,500,000 to £1,114 million, while the clearing banks' holdings kept pace with this movement—namely, from £693 million to £1,044,500. The allocation of TDR's to the Scottish banks is not believed to have been reduced during the past year, and the stability in the Royal Bank's holding suggests that this institution has indulged fairly extensively in the practice of pre-encashing TDR's in order to finance subscriptions to Government loans. Another interesting contrast with the general experience of other banks is the comparative stability of loans and advances over the year. This item fell from £25,253,000 to £25,162,000, while for the 11 clearing banks a drop of about £41 million was shown over the year covered by the September returns. The Royal Bank's profit for the past year, struck in the customary conservative tradition, amounted to £532,960, compared with £516,386 for the previous year.

Commercial Bank of Scotland

The figures of the Commercial Bank of Scotland, covering the year to October 30th, follow fairly closely the movements indicated by other Scottish bank balance sheets. The contrast with clearing bank figures in the matter of

TDR holdings is even more marked in this case, this item having actually fallen from £10 million to £9 million during the year. As against this, some £1,400,000 more is shown to be employed in the short loan market and Treasury bills, of which none were held a year previously, amounted to £1 million at the date of the last balance-sheet. The main expansion, however, is in the item of British Government securities, which have risen from £42,909,000 to £50,620,000 over the year. The feature of the balance sheet lies in the fact that the bank's investments are now more than five times the combined loans, advances and commercial bills—a rather top-heavy position. Given the redistribution of assets shown by the last two balance sheets, it is not altogether surprising that the profit for the year should have risen from £286,275 to £320,792.

South Africa's Sterling

The weekly returns of the South African Reserve Bank have this year shown an interesting persistence in the accumulation of foreign bills discounted—which in overwhelming part represent sterling Treasury bills. At the end of 1942, these amounted to a bare £950,000. After a sudden jump to £11 million early in January, they fell back to around £5,500,000 in March, but from that point began a steady climb which brought them to £12,330,000 on October 1st last, the latest date for which a return is available here. The jump in the holding of these bills earlier this year was undoubtedly connected with the accumulation of sterling resources preparatory to completing the repatriation of some £40 million of South African sterling debt covered by the vesting order issued last December. In that respect the movement followed the precedent created by previous operations of this character. But the subsequent increase in these holdings of sterling cannot be explained in such terms and seems to represent a new departure for the South African authorities. Until this year, it had been their policy to keep their sterling balances down to a minimum and to invest the surplus of their balance of external payments in gold—a policy which could be readily carried into effect since the South African authorities have first pick of the gold mined in their country. One possible explanation of the increase in South African sterling assets is the need to maintain a reserve against current payments which the South African authorities are making to cover the expenditure of their troops engaged outside Africa. It is also possible that the increase in this item may follow the sales of gold which have been made, largely on British account, in India, the Middle East and Egypt. Much of this metal is probably South African newly-mined gold. In so far as these operations mean that the British Government is buying rather more South African gold than it otherwise would have bought—in other words, that South Africa's first pick is not quite equal to its favourable balance of payments—South African sterling assets would inevitably expand. The figures of this accumulation remain small and, even if there has been some change of South African policy in this matter, it will readily be seen that the Union will have contributed very little to the problem of abnormal sterling balances.

Consumer Needs

An important wartime branch of the Board of Trade, which arises from the curtailment of supplies for civilian needs, is the one known as the Consumer Needs Branch. Its staff is not large, and it does not undertake research into what constitutes a minimum standard of consumer needs. But it does endeavour, within the framework of the resources which can be spared for civilian production, to point the way to satisfying as much of the demand as possible. Its method is that of asking questions of controlled samples of the public on market topics. It undertakes three regular inquiries. For the first, 3,000 different housewives are questioned each month on the articles they have attempted to buy, and the degree of success with which they met. The second questionnaire is answered by a panel of 2,500 assorted retailers, who report on the state of their stocks of personal and domestic articles. From this information, charts are drawn, showing the percentages of retailers who have in stock the various items about which questions are asked. Thus the relative shortages are apparent at a glance, and in conjunction with the housewives' survey, decisions can be made to switch production where necessary. The third re-

(Continued on page 759)

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

SUCCESSFUL RESULTS—INCREASED PROFIT

RECORD ASSETS FIGURES

DUKE OF BUCCLEUCH'S ADDRESS

The annual general Court of Proprietors of the Royal Bank of Scotland was held at Edinburgh on the 1st instant, Mr Alexander Maitland, K.C., D.L., presiding in place of His Grace the Duke of Buccleuch and Queensberry, P.C., G.C.V.O., Governor of the bank, who was unable to attend through indisposition.

Mr Maitland read the Governor's address as follows:—

I assume it will be your pleasure that the annual report and balance-sheet, with auditors' report, should be taken as read.

Before dealing with the ordinary business of the meeting I should refer to the loss sustained by the bank through the death of General Sir Herbert Lawrence, G.C.B., one of our extraordinary directors. General Lawrence was chairman and managing director of Messrs Glyn, Mills and Company, and was held in the highest esteem in banking and commercial circles in the City of London. He became an extraordinary director of the Royal Bank of Scotland in August, 1939.

Since the publication of our annual report and balance-sheet the death has occurred of Mr J. T. Tulloch, M.C., C.A. Mr Tulloch had resigned from the ordinary board of the bank in March, 1943, for health reasons, and later he was elected an extraordinary director. With his passing we mourn the loss of a valued colleague of engaging personality, whose wide experience of men and affairs was always at the service of the bank.

In the course of the year Colonel Eric Gore Browne, D.S.O., O.B.E., T.D., A.D.C., and Mr Stephen J. L. Hardie, D.S.O., C.A., have been elected extraordinary directors.

The period covered by our accounts coincides with the fourth completed year of the war, a year in which the feats of the Allied arms must have brought appreciably nearer the day of final victory.

DEPOSITS AND OTHER LIABILITIES

Turning to our balance-sheet, our total assets amount to £115,681,681. These impressive figures constitute a fresh record, and are more than £7,500,000 in excess of last year's total.

We have had continued evidence of the support of our clients throughout Scotland to the various Government issues for war finance purposes, while Tax Reserve Certificates are making a widening appeal. Notwithstanding withdrawals for these purposes, it is noteworthy that on balance our deposits and other credit balances have increased by £6,136,377 to the figure of £95,336,360.

Our notes in circulation have again increased, and at £7,621,699 exceed the previous year's figure by £1,264,326. Increased wages and salaries and higher prices all have a bearing on this, but, as stated by the Chancellor of the Exchequer, the retention of this spending power in the hands of the public is disappointing and shows that many are still unresponsive to the appeals to save. It is very desirable that the rising trend in the note issue should be checked.

The figures under Acceptances and Endorsements of Foreign Bills and other obligations are not materially changed and do not call for comment.

LIQUID ASSETS AND INVESTMENTS

On the assets side a very liquid position is evidenced with cash, balances with the

Bank of England and other banks, money in London at call and short notice, etc., totalling around £25,500,000. These quick assets, together with Treasury deposit receipts £7,000,000 as shown in the balance-sheet, represent 31 per cent. of our liability to our depositors and holders of our notes.

British Government securities at £43,310,319 exceed last year's figures by £3,968,709. The Government's war finance requirements therefore continue to benefit substantially by our increased resources.

A high proportion of our investments in Government stocks is in short and medium-dated loans. These and our other investments are all valued at or under market prices ruling on the date of our balance.

In spite of the continued shortage of commercial paper we are pleased to show a portfolio of bills totalling £3,151,513. Of this sum Treasury bills account for £1,465,000.

ADVANCES

A modest decline is revealed in advances on cash credit and current accounts. The bank has continued to support clients requiring accommodation for vital war work, under which heading we include agriculture, fishing and coal mining. These industries are vital if not so direct as munitions and shipbuilding.

PROFITS

The net profit for the year at £532,960 is approximately £16,500 up on last year. Taxation, National Defence contribution and charges of management remain heavy items of expense.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year on the capital stock at the rate of 17 per cent. per annum be declared; that £30,000 be carried to property maintenance reserve account; that £60,000 be contributed to the Trustees of the Staff Pension Fund, and that the remaining £81,710 after these appropriations be carried to our inner reserves against contingencies. Perhaps I should say that the appropriation to property maintenance reserve account is in lieu of our usual writing down of heritable property. As you will readily understand many needed renovations are impracticable at the present time and must perforce await the cessation of hostilities. This account will form a convenient nucleus for such expenditure later on, and it is probably unnecessary to say that our heritable property at the figure to which it is written down, viz., £1,095,246, bears little relation to its real value.

BUSINESS OF THE BANK

The business of the bank has been well maintained throughout the year, and our associates in England—Glyn, Mills and Company and William Deacon's Bank, Limited—have also prospered.

SCOTTISH INDUSTRY

Business in Scotland, as in England, is now so closely allied to the national needs

that any reference I make to it must necessarily be in very general terms. It is gratifying to note, however, that Capital and Labour are working harmoniously to bring the war to a successful conclusion.

The farming section of the community, whose interests have been far too long neglected, is now receiving a fairer measure of recognition for its labour and enterprise. Scientific research and labour-saving appliances are factors which cannot be ignored by the agriculturist to-day, and the Scottish farmer, with his reputation for shrewdness, can be safely relied upon to avail himself of new opportunities. He should be encouraged to preserve the maintenance of fertility of the soil and be adequately safeguarded in any expenditure for that purpose.

Last year I referred briefly to the important work being done by the Right Hon. Thomas Johnston, Secretary of State for Scotland, along with his Council of State and the Council for Scottish Industry. Under their ægis the North of Scotland Hydro-Electric Scheme has come into being. Still in its infancy its potentialities cannot yet be gauged, but it is an example of courageous, far-seeing and broad-minded planning. You are probably aware through the reports in the Press that all the Scottish banks are assisting the financial side of this new enterprise.

710 members of our staff are at present serving with H.M. Forces. In addition 24 have laid down their lives, and we wish to express our deepest sympathy with their relatives. We greatly regret also that 25 are reported missing or prisoners. We have continued the arrangement through the intermediary of the Red Cross by which monthly parcels of books, cigarettes, etc., are despatched to these prisoners wherever such facilities are available. We have received letters of gratitude from different camps, and we are glad that we are able to do something to ease the lot of these young men.

TRIBUTE TO OFFICIALS AND STAFF

The Government requirements in regard to man-power and woman-power continue and are being loyally met, but this naturally increases the already heavy burden on those who are left to carry on the bank's business. To the permanent and temporary staff, therefore, I express our deep appreciation of their loyal co-operation, without which the affairs of the bank could not have been carried on without loss of efficiency.

During the year a Knighthood has been conferred on our cashier and general manager, an honour which has been received with the greatest satisfaction by all connected with the bank and also by his wide circle of friends. It would be difficult to overestimate the value of Sir William Whyte's services to the bank over a long period of years, and to him in very large measure is due its present position. Sir William's reputation in banking and finance is recognised far beyond the confines of the Royal Bank of Scotland, and outside banking he has found time and energy to devote to many worthy causes, and no appeal for help has been made to him in vain. To Sir William I wish to express our heartiest congratulations on his well-merited Honour.

The Honour of Knighthood has also recently been conferred on Lord Provost William Y. Darling, one of our directors. To him also I wish to tender our sincere congratulations on this recognition of his pre-eminent services to the City of Edinburgh. I would only add that we consider ourselves very fortunate in having Sir William Darling on the board of the bank, a position which has been occupied by six of his predecessors.

To Sir William Whyte, general manager, the assistant general managers and the officials at Head Office, London, Glasgow, Dundee, Aberdeen and Branches, our

thanks are once again due for the unremitting and devoted services they have given and are giving in these days of exceptional stress and strain.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance-sheet, be approved, and that out of the profits of the year a dividend at the rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved and the Governor, Deputy-Governor, extra-ordinary directors and the retiring ordinary director were re-elected and auditors were reappointed for the ensuing year.

AGAR, CROSS AND COMPANY, LIMITED

The thirty-seventh ordinary general meeting of Agar, Cross and Company, Limited, was held, on the 29th ultimo, in London.

Mr S. C. Sheppard, the chairman, presided.

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

The principal item in these accounts is, perhaps, the writing down of a large proportion of the goodwill asset from £300,000 to £100,000. This so-called asset has figured in the balance-sheet since the business was turned into a limited company. It has nothing tangible to represent it, and your board are of the opinion that the time is now opportune to write it off gradually. The question of Excess Profits Tax has not yet arisen, nor has any figure been settled in connection therewith.

For some time past your board have had under close consideration the question of the reconstruction of the share capital of the company, and a scheme to put this into effect will, I hope, be circulated to the members of the company very shortly. It is thought that the time is now ripe to undertake this, so that at long last the balance sheet may be cleaned up in anticipation of the day when the company can be brought to a dividend-paying basis.

NEED FOR HUSBANDING CASH RESOURCES

I am glad to be able to report a further improvement in the sales and turnover of the business during the past year, notwithstanding the continued severe restrictions on all exports both from this country and North America. Nevertheless, as exports will be urgently required both from here and North America, and as Argentina, like all other South American countries, is equally anxious to receive them, it is hoped that the interregnum period between war and peace may not prove to be of such long duration as is at times anticipated. It is for this reason we are anxious to husband our cash resources to the utmost extent so that we may be able to deal economically with the situation when it arises.

OUTLOOK IN ARGENTINA

The future trading prospects in Argentina are hopeful. Their late large stocks of cereals have been disposed of and, in contrast to past years, the farmers are now being urged to increase their acreage of wheat and maize to the fullest extent. In addition to this, the local prices of all cereals have considerably advanced, so it is reasonable to expect that the farmers may soon be in a position to consider the replenishment of their agricultural machinery. The local industries, likewise, are doing well and our connections with them are being satisfactorily extended.

Before closing I would again like to register the thanks of the board to your staff in all of its departments and equally so to wish success to those members who are serving with H.M. Forces.

The report and accounts were adopted.

MITCHELLS AND BUTLERS, LIMITED

POST-WAR RECONSTRUCTION PROBLEMS

MR ARTHUR MITCHELL'S STATEMENT

The fifty-sixth annual general meeting of the ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on the 2nd instant, under the presidency of Mr Arthur Mitchell.

The following is the Chairman's statement circulated with the report and accounts:

Ladies and gentlemen: Since our last meeting we have appointed two new directors: Mr Walford H. Turner, J.P., and Wing Commander H. Maynard Mitchell, D.F.C.

Mr Walford Turner is a gentleman of first-class business and financial experience and well known in the Midlands. We have made this appointment knowing he carries the complete confidence of the stockholders.

With regard to Wing Commander H. Maynard Mitchell, he is at present on active service, but his past training and experience with the company well qualify him for a position on our board. We look forward to his return, when we shall have the benefit of the services of this young man in the future conduct of our business.

BREWERY COMPANIES' TAXATION BURDEN

The heavy burden of taxation which presses alike on the trade and consumer is accepted with resignation as a grim war-time expedient in view of the present heavy drain on the country's finances. The contribution now being made by the trade plays an important part in the national war effort. The full weight of the present impost on brewery companies' finances, however, is not perhaps fully realised, and I would mention that during the current financial year the total charge against our profits for all forms of taxation considerably exceeds 10½ million pounds.

CATERING WAGES ACT

Legislation dealing with the catering trade—which includes the licensed trade—has been engaging the attention of Parliament recently, and as a result the Catering Wages Act has been placed on the Statute Book. Its purpose, in the words of the Act, is "to make provision for regulating the remuneration and conditions of employment of catering and other workers, and, in connection therewith, for their health and welfare and the general improvement and development of the industries in which they are employed." Let me say at once that the proper remuneration and suitable living conditions of our employees in licensed houses have always been our first consideration, and we have never endeavoured to build up our business on any other lines. So far as these requirements are concerned, therefore, the provisions of the Act do not cause us any anxiety. I am glad the trade has chosen to proceed by a Joint Industrial Council and use voluntary machinery rather than a wages board. In an industry where employer and employee, wholesaler and retailer, have so many matters of common interest, it is perhaps natural they should do so, and I see no reason why that same spirit of goodwill which has been exercised in the past should not be maintained in discussing any problem which may arise out of this new legislation.

POST-WAR RECONSTRUCTION

Last year I devoted a considerable part of my remarks to the problem of post-war reconstruction, but the question is of prime importance and I make no apology for returning to it.

The war will bring in its train a vast amount of rebuilding; the homes of the people, public buildings and new roads, and bound up with the re-housing of the people

is the rebuilding and redistribution of licensed houses.

The first claim on building will be working men's homes with all the amenities which workers will rightly expect. To meet the needs of the inhabitants we consider that any new centre of reconstruction should be built and developed as a whole, properly equipped for shopping, education, social activities, entertainment and with reasonable licensing facilities.

We have carried out extensive plans of reconstruction and redistribution of our licensed houses since the last war, perhaps more so than any other brewery company, and it is not therefore a new problem for us.

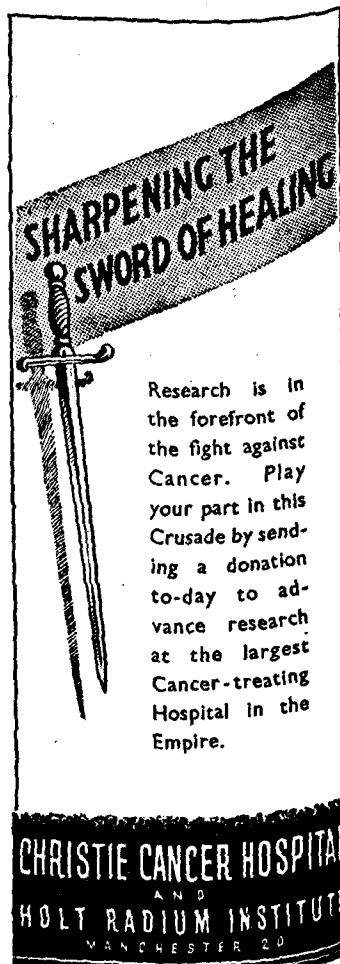
The Home Office Committee is considering the question, and the trade owes its representatives, Sir Sydney Neville and Mr H. G. Griffiths, a debt of gratitude for their very valuable work on this committee.

DECENTRALISATION OF DETAILS

Our view is that after the broad principles of reconstruction are settled the details should be decentralised and left to the locality and the individuals concerned to work out for themselves. The question of the style of architecture, construction and size of the public-house of the future is not one that can be decided by any central body.

To refer to our own trading area, we are fortunate in having some of the ablest architects in England for this type of work, and we are most anxious that our houses will stand in after years not only as works of the highest architectural merit, but also planned to cater for the best service to the public.

We do hope that reconstruction will be tackled wholeheartedly. Our earnest endeavour has at all times been to work in



RAPHAEL TUCK AND SONS, LIMITED

RECORD PROFIT

The forty-second annual general meeting of Raphael Tuck & Sons, Limited, was held on 2nd instant, in London.

Mr Desmond Tuck (chairman and joint managing director) in the course of his speech, said: Ladies and gentlemen, this year's profit of just on £120,000 constitutes a record in the history of the company. It is a result upon which, I suggest, we may, with justification, congratulate ourselves, pointing as it does to a spectacular recovery after many lean years which culminated in 1940 in the loss by enemy action of so much of our valuable properties.

We shall be called upon to hand over a very substantial part of this profit for excess profits tax. Let us remember that this contribution is in the nature of a practical recognition of our debt to the country for the position in which industry finds itself in this, the fifth, year of the war.

THE GREETING CARD INDUSTRY

The greeting card industry was at one time singled out to be the Cinderella of the paper industry, but a wise and far-seeing fairy-godmother appeared in the wood in the person of a new Minister of Supply, who realised how useful and necessary to the war effort were greeting cards, expressing goodwill and hope for the future, and how from a psychological point of view these were assisting morale by maintaining customs and traditions so dear to the heart of the English-speaking peoples.

Your company, true to its reputation, has played the role expected of it in upholding its high quality and popular appeal of such productions, consistent with the limitations imposed upon them.

Included in our general pictorial publications is a portrait of the Prime Minister in his famous siren suit, from the original painting by Mr Frank Salisbury. This has been published in full colour in several sizes, from 3 guineas to 3s. 6d. No more inspiring picture could adorn any wall, and I can safely recommend all who have not yet secured a copy to invest in one.

May I take this opportunity of acknowledging the helpful co-operation which we have received from our wholesalers and retailers throughout the country, who are displaying a great spirit of mutual helpfulness—one of the happy outcomes of this war.

Your company have recently acquired the controlling interest in an up-to-date and efficient printing factory in the Midlands. This will continue to run under its existing technical directorate, and it is confidently hoped that our combined resources will prove mutually beneficial.

CURRENT YEAR'S TRADING

Some seven months of the company's trading in the next financial year has already elapsed. The figures which these disclose to date are highly satisfactory, and it looks as if next year we shall again be called upon to pay excess profits tax. It

harmony with the authorities and the magistrates. If this can be continued and proper facilities provided we intend to break the back of this problem in the shortest possible time and thus carry out further improvements of which we shall be proud.

It must be emphasised that the trade's compensation fund must not be used in any way to facilitate reconstruction. That fund was created and subscribed by the trade itself for the purpose of compensating owners of redundant licences, and it would, of course, be grossly unfair to the trade to divert it to any other purpose.

COMPANY'S CONTRIBUTION TO TRANSPORT ECONOMY

The national need for economy in transport has been engaging our serious attention. In this connection I would like to mention that Mr R. H. Butler, as chairman of the Birmingham and Midland Counties Wholesale Brewers' Association, is on the midland panel of the Ministry of Food Transport and has put in a great deal of time on this question. As a result of our efforts, we are able to point to a saving in the consumption of petrol for the past year of 54,000 gallons. This has not been achieved without disturbing our trade in some districts, as part of the economy has been effected by exchanges of trade with other brewers, who have also been enabled to save transport and petrol. We thank all who have been affected by this temporary arrangement for the manner in which they have accepted the change-over and assure them it is our wish to return to normal conditions of supply at the earliest opportunity.

The demand for our products continues to grow and has been greater than the supply. To meet very difficult and sometimes complicated conditions we have requested our tenants and managers so to spread over their supplies that their distribution shall be as far as possible. It is a perplexing problem calling for the exercise of goodwill on all sides, and we hope the public will appreciate we are doing our best in very difficult circumstances.

TRIBUTE TO STAFF

We have again to thank our staff and workpeople at our breweries, maltings and our licensed houses for their loyalty and hard work under most trying conditions. I would especially like to express deep gratitude to our old employees who have stood so steadfastly by us through these years of war. You must understand this task has become more onerous to the older of our people owing to the depletion of our numbers of younger men who have answered the country's call.

For those who are serving with H.M. Forces we have a special fund which was instituted at the beginning of the war for the purpose of maintaining their homes, and I am happy to say that no employee has had to give up his home for financial reasons through joining the services. All will join in wishing them a safe and speedy return.

Dr Harold Thwaite seconded the adoption of the report and accounts, which was carried unanimously.

(Continued from page 756)

gular survey is exclusively concerned with the clothing ration, and a panel of between 11,000 and 14,000 return detailed records of their coupon expenditure. Allied to this is a yearly survey of the contents of a number of individual wardrobes. Special inquiries are undertaken *ad hoc* (for example, the number of items of bed linen used on the average bed was ascertained), and into local needs and shortages. Among the facts discovered by the branch are the following: The coupon income of retail trade fluctuates widely, according to coupon releases. In July, coupon income was 90 million, and in September, 310 million. It is more difficult to buy a saucepan than a razor blade, and the average number of saucepans in a home is four. The average price paid for a pair of women's shoes was 23s. 6d. in 1942-3. Housewives use fewer coupons than women working in

offices, and factory women workers prefer turbans to other headwear. An important section of the branch consists of thirty-seven area distribution officers, based on the Civil Defence Regions. Their functions are to investigate local shortages, to advise on the licensing of new shops and the granting of coupon floats to retailers. In the case of bombing, they arrange for shopping facilities to be maintained, and for additional supplies of essential goods such as mattresses, blankets and domestic utensils, a reserve of which is kept for raided areas. They try to arrange traders' schemes of mutual assistance to operate in event of bombing. In general, the area distribution officers have a wide knowledge of their locality, its special needs and shopping facilities, and they form a link between the public and retailer on the one hand, and the Board of Trade on the other.

would be unwise to venture to look too far ahead during the war period, and to make any prediction as to the trade we shall be able to enjoy, so much depending upon the supply of raw material that will be available to us. One thing, however, seems pretty certain. Now that we have tasted, once again, the fruits of success and proven what we are capable of doing, we should, when operating facilities are more normal, and material made more readily available, render a good account of ourselves. There are, in my judgment, wide possibilities of development open to the company in many directions, and with the priceless advantage of a great world-name, the path, under competent management, to future and greater successes must unfold itself before us.

The report was unanimously adopted.

WALTER SPENCER AND COMPANY, LIMITED

The seventh annual general meeting of Walter Spencer and Company, Limited, was held, on the 1st instant, at Sheffield, Mr John R. Winskill (chairman and managing director) presiding.

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

The profit and loss account shows a pleasing advance, and, generally speaking, the output for the year has been very gratifying and helpful in the war effort, towards which all our energies have been directed. This is the seventh report the directors have submitted, and the steady progress during the period will be very interesting and gratifying to the shareholders.

Your directors recommend the payment of a final dividend of 7½ per cent., less income tax, making (with the interim dividend of 5 per cent. paid, less tax) a gross dividend of 12½ per cent., less tax. After providing £3,750 for the final dividend and £5,000 to be added to reserve (making that account £30,000) and writing off £589, the cost during the year of War Damage Insurance for plant and buildings, there remains to be carried forward £24,423.

The report was adopted.

STRAND HOTEL, LIMITED

The thirty-sixth ordinary general meeting of The Strand Hotel, Limited, was held, on the 1st instant, in London, Major M. Gluckstein (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts: The trading account balance amounts to £99,257, slightly more than the previous year, and it is proposed to pay a dividend of 10 per cent. on the participating preferred ordinary shares, absorbing £23,000, to distribute a like sum on the deferred ordinary shares, both amounts being the same as last year, and to carry forward the surplus of £39,503.

The trading experience of the year has, on the whole, been satisfactory, and the improvement recorded last year has been maintained. We have not been able to satisfy all the demands made upon us.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres- ponding Day 1942	Security Indices	
			30 Ord. Shares*	20 Fixed Int.†
Nov. 25	4,291	4,841	101.4	134.3
" 26	3,911	4,901	101.3	134.3
" 29	5,118	5,000	101.0	134.3
" 30	4,496	5,855	101.1	134.2
Dec. 1	4,024	4,504	101.4	134.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Nov. 18	110.4	620,000	Nov. 22	112.2	610,000
" 19	111.7	906,000	" 23	111.8	540,000
" 20	112.3	482,000†	" 24	111.3	707,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

	1943	Nov. 10, 1943	Nov. 17, 1943	Nov. 24, 1943
	Low Jan. 6	High July 13		
37 Industrials	81.1	103.5	92.9	90.9
32 Rails	72.6	99.9	85.6	85.4
40 Utilities	67.9	89.6	84.7	84.4
419 Stocks	78.5	100.9	91.2	89.6
Av. yield %	5.36	4.35	5.03	4.96

* Common Stocks.

(a) Aug. 25.

Capital Issues

Week ending	1943	Nov. 10, 1943	Nov. 17, 1943	Nov. 24, 1943
To Shareholders only	1,000,000	1,000,000	1,000,000	1,000,000
By Permission to Deal	81,274	...	...	121,911

Particulars of Government issues appear on page 761.

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943	1,516,377,678	2,668,427	638,677	1,507,900,717	2,127,701	9,656,364
1942	1,357,013,807	771,147	78,315	1,349,898,131	988,562	6,976,576

* Conversions Excluded. † Includes Government issues to November 23, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Company Results

Joshua Hoyle and Sons.—Cotton Spinners and Manufacturers.			
	Years ending September 30,	1942	1943
Total profits after EPT†	211,580	194,332	264,483
Depreciation	50,000	50,000	50,000
Income tax	30,000	30,000	100,000
Directors' fees	1,200	1,200	2,000
Debt and secured notes interest (net)	35,845	32,403	26,953
War damage contributions	22,992	15,998	12,520
Workers' benevolent fund	10,000	10,000	10,000
Ordinary shares:—			
Earned (net)	61,543	54,731	63,010
Paid (net)	27,526	27,526	34,408
Earned %	16.8	14.9	13.7
Paid %	7.3	7.3	7.3
Reserve	25,000	25,000	25,000
Carry forward	67,749	69,953	73,555

Net fixed assets	1,351,076	1,315,255	1,292,074
Net inter-company items	116,210	116,729	116,783
Net liquid assets	987,699	950,251	953,181

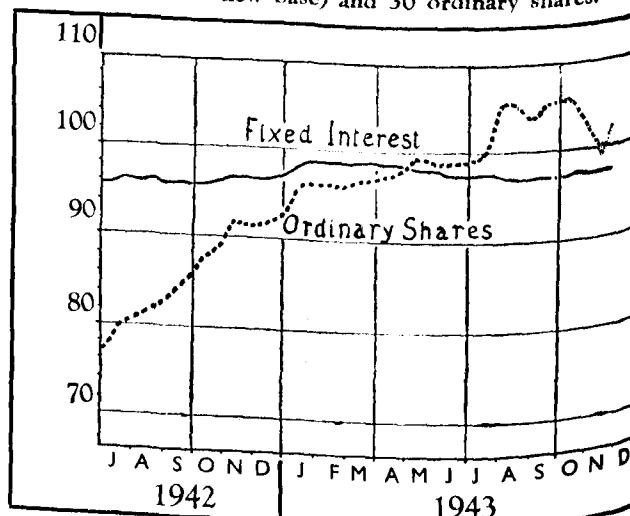
Gross liquid assets	1,639,649	1,559,623	1,683,029
Stock-in-trade	476,321	715,977	573,472
Cash	556,850	367,598	672,439

† Including investment income and a dividend from one subsidiary.

The ordinary shares of 2s. at 3s. 6d. yield £4 5s. 9d. per cent.

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.



FINANCE AND BANKING

THE MONEY MARKET. The credit stringency that has been experienced this week is discussed in a Note on page 752. By Wednesday, the day on which the Bank return is made up, conditions were easier, and the return gives little evidence of the earlier stringency. Thus, bankers' deposits, though £15,128,000 down on the week from the exceptionally high figure of £183,168,000, are still at the comfortable level of £168,040,000. The Government securities item, which is down by about £1,000,000, shows no indication of the help given to the market. On the other hand, there is a big end-month rise in the note circulation, which is at the high figure of £1,030,824,000; the "proportion" is consequently reduced from 13.5 per cent to 8.8 per cent.

MONEY RATES, LONDON.—The following rates remained unchanged between Nov. 26th and Dec. 2nd:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%; Short Loans, 1½%; Bank deposit rates 1%. Discount deposit at call 1%; at notice 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Nov. 26th and Dec. 2nd. (Figures in brackets are per cent of exchange).
United States, \$ (4.86) 4.024-03; mail transfers 4.021-03. Canada, \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland, Francs (25.24) 17.30-40. Sweden, Krona (18.75) 16.85-95. Dutch West Indies, Florin (12.11) 7.58-62; Portugal, Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama, 54-02-04; 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 Offices. Spain, Peseta 40-50 (Official rate). Turkey, Piastres 520. Italy, 71.25 lire.

Market Rates.—The following rates remained unchanged between Nov. 26th and Dec. 2nd:
Egypt, Piastres (97½) 97½. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½. China, National 33-3½. Iran, Rl. 128-130.

(Continued on page 762.)

Associated Equipment Company.

	Years to September 30,	1941	1942	1943
Trading profit		789,851	795,766	1,291,221
Total profits		799,577	803,592	1,299,100
Depreciation		105,477	100,000	100,000
Taxation		50,000	560,000	969,520
Directors' fees		1,600	1,892	2,000
Employees benefit reserve		...	...	...
Ordinary stock:—				
Earned (net)		132,500	141,500	207,500
Paid (net)		112,500	112,500	187,500
Earned %		8.5	9.4	13.4
Paid %		7.1	7.1	7.1
Reserve		18,000	29,000	20,000
Carry forward		268,000	268,000	268,000
Net fixed assets		1,308,269	1,495,433	1,584,269
Net inter-company items		82,674	62,143	1,584,269
Net liquid assets		1,567,057	1,520,424	1,584,269
Gross liquid assets		2,497,264	2,687,487	3,106,821
Stock		1,778,005	2,096,462	2,096,462
Debtors		375,570	376,548	1,078,570
Cash		336,309	207,097	1,078,570

† Including charging "factory and other expenses."

* Including anniversary bonus of 5%, tax free.

The ordinary stock of £1 at 66s. 9d. yield £3 14s. 11d. cent tax free.

GOVERNMENT RETURNS

For the week ended Nov. 27, 1943, total ordinary revenue was £58,828,000, against ordinary expenditure of £100,925,000, and issues to sinking funds of £150,875. Thus, including sinking fund allocations of £9,045,735, the deficit accrued since April 1st is £2,099,454,000 against £1,960,232,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	April 1 to Nov. 28, 1942	April 1 to Nov. 27, 1943	Week ended Nov. 27, 1942	Week ended Nov. 27, 1943
ORDINARY REVENUE					
Income Tax	117,500	349,214	447,488	9,802	13,937
Sur-tax	80,000	17,364	17,191	440	530
Stamp duties, etc.	100,000	60,445	64,339	1,678	2,478
Stamps	17,000	8,760	12,120	20	1,140
N.D.C.	17,996	20,803	526	560	560
E.P.T.	500,000	220,471	324,394	6,580	8,759
Other Ind. Rev.	1,000	310	238	20	...
Total Ind. Rev.	187,300	674,560	886,573	19,066	27,404
Customs	525,320	305,169	355,277	7,120	9,752
Excise	450,180	289,825	322,154	18,825	19,354
Total Customs & Excise	975,500	594,994	677,431	25,945	29,106
Motor Duties	25,000	6,397	5,128	350	...
Congestion Govt. Contribution	...	199,759	...	4,494	...
P.O. (Net Receipts)	400	11,100	1,000	500	500
Wireless Licences	4,700	2,610	2,690	560	560
Crown Lands	800	680	710	60	60
Receipts from Sundry Loans	4,100	2,281	4,410	183	183
Miscellaneous Receipts	24,000	72,839	50,968	2,155	1,759
Total Ord. Rev.	290,750	1,565,220	1,627,910	51,814	58,828
SELF-BALANCING P.O. & Broadcast	110,632	67,400	72,600	3,200	2,000
Total	301,812	1,632,620	1,700,510	55,014	60,828

Expenditure	Estimate 1943-44	April 1 to Nov. 28, 1942	April 1 to Nov. 27, 1943	Week ended Nov. 27, 1942	Week ended Nov. 27, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	216,196	244,785	715	776
Payments to N. Ireland	9,500	5,030	4,672	335	332
Other Cons. Fund Services	7,500	3,955	3,770	...	...
Total	392,000	225,181	253,227	1,050	1,107
Supply Services	536,675	329,220	346,509	94,241	93,817
Total Ord. Exp.	578,675	351,384	371,831	95,291	100,925
SELF-BALANCING P.O. & Broadcast	110,632	67,400	72,600	3,200	2,000
Total	589,307	358,784	379,091	98,491	102,925

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £143,872 to £2,590,210, the other operations for the week (no longer shown separately) raised the gross National Debt by £43,154,436 to £18,947 million.

NET ISSUES (£ thousands)	200
P.O. and Telegraph	838
War Damage Act	15
Overseas Trade Guarantees	1,051

MONTH'S CHANGES IN DEBT

(£ thousands)	NET INCREASES
Treasury Bills	6,654
National Savings Certificates	15,750
3% Defence Bonds	6,975
2½% National War Bonds, 1952-54	52,750
3% Savings Bonds, 1960-70	20,900
Other Debt, Internal	2,107
External	1,067
Ways and Means Advances	47,380
Treasury Deposits by Banks	78,000
Tax Reserve Certificates	12,279
	243,862

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
Nov. 28	1040.0	1705.5	287.1	111.0	888.5
1943					
July 24	1170.0	1899.1	309.0	...	975.5
Aug. 7	1170.0	1899.1	309.0	...	975.5
" 14	1170.0	1899.1	309.0	...	975.5
" 21	1170.0	1899.1	309.0	...	975.5
Sept. 4	1170.0	1899.1	309.0	...	975.5
" 11	1170.0	1899.1	309.0	...	975.5
" 18	1170.0	1899.1	309.0	...	975.5
" 25	1170.0	1899.1	309.0	...	975.5
Oct. 2	1170.0	1899.1	309.0	...	975.5
" 9	1170.0	1899.1	309.0	...	975.5
" 16	1170.0	1899.1	309.0	...	975.5
" 23	1170.0	1899.1	309.0	...	975.5
" 30	1170.0	1899.1	309.0	...	975.5
Nov. 6	1170.0	1899.1	309.0	...	975.5
" 13	1170.0	1899.1	309.0	...	975.5
" 20	1170.0	1899.1	309.0	...	975.5
" 27	1170.0	1899.1	309.0	...	975.5

TREASURY BILLS

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1942					
Nov. 27	80.0	169.0	80.0	s. d. 20 1.44	30
1943					
Aug. 6	90.0	195.6	90.0	20 0.02	28
" 13	90.0	182.5	90.0	20 11.95	30
" 20	90.0	175.1	90.0	20 0.42	30
" 27	90.0	194.0	90.0	20 2.93	30
Sept. 3	90.0	200.4	90.0	20 2.40	30
" 10	90.0	193.3	90.0	20 2.57	30
" 17	90.0	183.6	90.0	19 11.10	41
" 24	90.0	188.8	90.0	19 10.97	37
" 31	90.0	190.2	90.0	19 11.98	28
Oct. 1	90.0	190.2	90.0	20 0.36	35
" 8	100.0	196.3	100.0	19 11.95	32
" 15	100.0	181.8	100.0	20 0.62	41
" 22	100.0	193.4	100.0	20 0.48	35
" 29	100.0	213.1	100.0	20 0.04	25
Nov. 5	90.0	197.5	90.0	20 0.29	27
" 12	90.0	190.4	90.0	20 0.23	29
" 19	90.0	197.1	90.0	20 2.93	30

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Nov. 1942	Nov. 1943	Nov. 1944	Nov. 1945
12 U.S.F.R. BANKS				
Resources	27.12	18.26	18.26	26.12
Gold certifs. on hand and	1942	1943	1944	1945
due from Treasury	20,554	19,205	19,803	19,781
Total cash reserves	20,800	20,234	20,250	20,225
Total U.S. Govt. securities	2,361	3,000	3,119	3,110
Total bills and sec.	4,846	9,899	9,877	10,423
Total resources	27,127	31,896	32,297	32,439
LIABILITIES				
F.R. notes in circ.	11,616	15,919	15,974	16,131
Excess m. bank res.	2,520	1,080	1,100	1,040
Mr. bank res. dep.	12,746	12,198	12,263	12,402
Govt. deposits	28.78	36.91	40.71	47.9
Total deposits	14,047	14,283	14,384	14,620
Total liabilities	27,127	31,896	32,297	32,439
Reserve ratio	81.1%	67.0%	66.7%	65.8%

THE ECONOMIST

RESERVE BANK OF INDIA

Million rupees

	Nov. 1942	Nov. 1943	Nov. 1944	Nov. 1945
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	177	139	136	119
Balances abroad	826	1,192	1,401	1,422
Sterling securities	3,518	6,748	6,748	6,898
Ind. Govt. corp. sec.	1,324	583	583	583
Investment	66	193	583	583
LIABILITIES				
Note in circ. India	5,555	7,764	7,821	7,946
Deposit Govt.	175	516	599	640
Bank	640	683	718	664
Reserve ratio	72.5%	90.9%	90.9%	91.5%

CENTRAL BANK OF IRELAND

Million £'s.

	Oct. 1943	Nov. 1943	Nov. 1944	Nov. 1945
ASSETS				
Gold	30	6	13	20
1943	1943	1943	1943	1943
British Govt. sec.	2.65	2.65	2.65	2.65
Sterling balances	22.15	22.15	22.15	22.15
LIABILITIES				
Notes in circulation	1.72	2.10	1.91	1.47
26.73	27.03	27.58	27.40	

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	Sept. 1942	Aug. 1943	Sept. 1944	Sept. 1945
ASSETS				
Gold and stg. exch.	1942	1943	1943	1943
Advance to State	21.99	29.79	28.42	28.42
Investment	4.15	10.32	10.32	10.32
LIABILITIES				
Bank notes	26.73	33.34	33.77	33.62
Demand liab. State	19.40	15.58	15.79	15.65
Banks and others	22.06	28.64	26.58	26.58
Reserve to fight liab.	17.35	38.42	37.35	37.35

SWISS NATIONAL BANK

Million Swiss Frs.

	Oct. 1943	Oct. 1944	Oct. 1945	Oct. 1946
ASSETS				
Gold	31	7	15	19
1943	1943	1943	1943	1943
Foreign exchange	34.44	184.7	184.7	184.7
Discount, etc.	47.3	95.4	95.4	95.4
Advances	41.8	238.4	237.6	237.6
Securities	2.19	17.7	17.9	17.9
LIABILITIES				
Notes in circulation	242.8	277.4	277.1	277.1
Other sight liabilities	236.3	230.8	239.7	239.7

December 4, 1943

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, Nov. 23, 1943		Yield, Nov. 30, 1943	
High	Low	High	Low			High	Low	(a) (b) (c)	
British Funds									
83.5	81	83.5	78.5	Consols 2½% (after 1957)	80	80	51/9	46/7	4 12 6
109.5	109.5	109.5	109.5	Consols 4% (after 1957)	111.5	111.5	57/1	48/6	5 1 3
109.5	109.5	109.5	109.5	Conv. 2½% 1943-45	100.5	100.5	19 8/8	26/1	25/9
109.5	109.5	109.5	109.5	Conv. 2½% 1944-49	102.5	102.5	2 8 6/8	32/6	22/3
109.5	109.5	109.5	109.5	Conv. 3½% 1944-53	103.5	103.5	2 4 4	35/4	28/3
109.5	109.5	109.5	109.5	Conv. 3½% (after 1961)	105	105	3 5 0/8	35/9	28/3
109.5	109.5	109.5	109.5	Conv. 5% 1944-64	102.5	102.5	2 15 0	54/4	31/3
109.5	109.5	109.5	109.5	Funding 2½% 1956-61	96.5	96.5	2 14 6	39/10	50/9
109.5	109.5	109.5	109.5	Funding 2½% 1952-57	101.5	101.5	2 19 6	11/6	50/9
109.5	109.5	109.5	109.5	Funding 3½% 1959-69	101.5	101.5	2 19 6	27/4	50/9
109.5	109.5	109.5	109.5	Funding 3½% 1960-90	113.5	113.5	2 2 0	20/10	50/9
109.5	109.5	109.5	109.5	Nat. Def. 2½% 1944-48	101.5	101.5	2 2 0	17/3	50/9
109.5	109.5	109.5	109.5	Nat. Def. 3½% 1954-58	102	102	2 17 0	14/3	50/9
109.5	109.5	109.5	109.5	War Bonds 2½% 1945-47	102	102	2 19 8	36/3	50/9
109.5	109.5	109.5	109.5	War Bonds 2½% 1946-48	102	102	2 18 6	49/10	50/9
109.5	109.5	109.5	109.5	Savings Bds. 3½% 1955-65	101	101	2 19 6	56/1	50/9
109.5	109.5	109.5	109.5	Victory Bonds 4½%	101	101	2 17 6	24/9	50/9
109.5	109.5	109.5	109.5	War Loan 3½% 1955-65	103.5	103.5	3 7 6/8	31/3	50/9
109.5	109.5	109.5	109.5	Local Loans 3½%	95	95	3 3 2	103/11	50/9
109.5	109.5	109.5	109.5	Redemption 3½% 1986-96	98	98	3 1 7	28/7	50/9
109.5	109.5	109.5	109.5	Austria 3½% 1933-53	102	102	2 17 8	50/14	50/9
109.5	109.5	109.5	109.5	Dom. & Col. Govts.					
109.5	109.5	109.5	109.5	Australia 5½% 1945-75	103	103	3 18 0	91/6	50/9
109.5	109.5	109.5	109.5	New Zealand 5½% 1950-60	105	105	3 14 0	43/3	50/9
109.5	109.5	109.5	109.5	Nigeria 5½% 1950-60	112	112	3 4 5	43/3	50/9
109.5	109.5	109.5	109.5	Corporation Stocks					
109.5	109.5	109.5	109.5	Birmingham 5% 1946-56	106.5	106.5	2 14 2	35/1	50/9
109.5	109.5	109.5	109.5	L.C.C. 3½%	93	93	5 4 6	37/3	50/9
109.5	109.5	109.5	109.5	Liverpool 3½% 1954-64	99	99	3 2 10	42/9	50/9
109.5	109.5	109.5	109.5	Middlesex 3½% 1957-62	104	104	2 8 6	19/7	50/9
109.5	109.5	109.5	109.5	Foreign Governments					
109.5	109.5	109.5	109.5	Argentina 5½% 1954-64	101.5	101.5	4 9 0	25/9	50/9
109.5	109.5	109.5	109.5	Brazil 5½% 1954-64	64	64	5 12 0	15/3	50/9
109.5	109.5	109.5	109.5	Chile 5½% (1929)	29	29	5 12 0	16/3	50/9
109.5	109.5	109.5	109.5	Egypt Unified 4½%	100.5	100.5	3 19 7	35/10	50/9
109.5	109.5	109.5	109.5	Portuguese 4½%	95	95	3 1 4	42/9	50/9
109.5	109.5	109.5	109.5	Spanish 4½%	69	69	6 1 3	45/6	50/9

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: 16-03 pesos.

Forward Rates.—Forward rates for one month have remained unchanged as follows: United States, 1 cent pm.-par. Canada, 4 cent pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par.

NEW YORK EXCHANGE RATES

New York on	Nov. 24	Nov. 25	Nov. 26	Nov. 27	Nov. 29	Nov. 30	Dec. 1
Cables:—							
London	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
Montreal	89 250	89 250	89 250	89 250	89 250	89 250	89 250
Zurich	38 75	38 75	38 50	38 50	38 50	38 50	38 50
B. Aires	25 10*	25 10*	25 10*	25 10*	25 10*	25 10*	25 10*
Rio	5 15	5 15	5 15	5 15	5 15	5 15	5 15
Liabon	4 10	4 10	4 10	4 10	4 10	4 10	4 10
Barcelona	9 25	9 25	9 25	9 25	9 25	9 25	9 25
Stockholm	23 86	23 86	23 86	23 86	23 86	23 86	23 86

* Official buying rate 29-78.

† Free rate. \$3id.

The following table summarises the Exchequer returns to date (November 27th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

1900	Total ordinary revenue	1,627,910
Total ordinary expenditure	3,718,313	
New Sinking Funds	9,016	
Loans repaid	2,401	
"Other debt" external	2,401	
3% Nat. Bonds (net)	82,171	
3% Savings Bonds 1960-70	247,998	
2½% Nat. War Bds. 1949-51	9	
2½% Nat. War Bds. 1951-53	322,660	
2½% Nat. War Bds. 1953-54	139,650	
3% Terminable Annuity	238,942	
Nat. Savings Certs. (net)	185,150	
Tax Reserve Certs. (net)	166,906	
Treasury Deposits	4,529	
Floating debt (net)	323,000	
Treasury Bills	240,219	
Bank of England Adv.	20,500	
Public Dept. Adv.	81,130	
Miscellaneous receipts	10,105	
Decrease in balances	285	
£3,729,764	£3,729,764	

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

INDUSTRY AND TRADE

Utility Furniture.—Owing to the present heavy demands of war industry on available timber supplies, it is sometimes impossible for firms manufacturing utility furniture to find quickly supplies of oak suitable for furniture production. The Board of Trade has therefore arranged for certain other timbers, such as ash and chestnut, to be substituted for oak when the need arises. Manufacturers may use these other timbers only by permission of the Board of Trade, whose Technical Officers will in each case satisfy themselves that the timber which it is proposed to use is suitable, and will produce articles which are in every respect up to the standard of quality specified for utility furniture. The prices of articles made of these other timbers will in no case exceed the prices shown in the Utility Furniture Catalogue for the corresponding articles made in oak.

The 1943-44 Clothing Quiz.—A new edition of the Clothing Quiz, issued by the Board of Trade, price 2d., has appeared. This booklet contains 34 pages of questions and answers about clothes rationing and shows the number of coupons needed for all kinds of clothing. There is also information about second-hand articles and goods sold at clearance prices and a list of the principal coupon-free articles.

Extra Dried Eggs.—To offset the fact that the production of shell eggs and of milk reaches its lowest level in mid-winter, the Ministry of Food will release more dried eggs during the four-week period from December 12th to January 8th. During this one period every holder of R.B.1 or R.B.4 can obtain two packets and every holder of R.B.2 four packets.

Cocoa Purchase.—For this year's purchase by the West African Produce Control Board of the entire cocoa crop of the Gold Coast the basic price is the same as for 1942-43. The full basic price of £13 1s. 4d. per ton for good fermented Gold Coast cocoa will, however, be paid not only, as in the past, at ports of shipment, but also at all buying centres situated on the railway line. This arrangement will mean that producers in up-country districts, who have hitherto had to bear the cost of transporting their cocoa to a port, are no longer at a disadvantage with growers near the coast.

Space Heating Apparatus.—The Limitation of Supplies (Heating Apparatus) (No. 3) Order, 1943, continues without alteration the existing control on the supply of gas and electrical space heating apparatus of the kind used for domestic purposes, for the period of restriction beginning with January 1, 1943, and ending with May 31, 1944. The quota for 1943, 1944, and the standard period is June 1 to December 31, 1939, as before.

Toys for Christmas.—The Board of Trade has issued a General Licence under the Limitation of Supplies (Miscellaneous) (No. 21) Order, 1943, permitting wholesalers and manufacturers who are registered in Class 13 to supply toys and certain children's indoor games without any quota restrictions between December 1st and December 31st, 1943, so that extra supplies will be available for the Christmas Trade.

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Nov. 25, 1943	Nov. 26, 1943	Nov. 29, 1943	Nov. 30, 1943	Dec. 1, 1943
Crops	122.9	122.9	122.9	122.9	122.9
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	149.7	149.7	149.7	149.7	149.7
	Mar. 1937	Aug. 1939	Dec. 1942	Nov. 1943	Nov. 1943
Crops	147.9	122.2	119.6	122.9	122.9
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	143.7	149.7	149.7

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 1937	Aug. 1939	Nov. 1942	Nov. 1943	Nov. 23, 1943
Cereals and Meat	93.0	66.9	105.9	107.8	107.8
Other Foods	70.4	61.1	103.3	106.9	106.9
Textiles	74.2	54.3	92.8	91.6	91.6
Minerals	113.2	95.4	137.2	135.9	135.9
Miscellaneous	87.0	77.6	122.0	127.2	127.2
Complete Index	87.2	70.3	111.9	113.5	113.5
1913=100	119.9	90.8	151.1	150.2	150.2

* Highest level reached during 1932-37

REPORT BY THE COURT OF DIRECTORS OF The ROYAL BANK of SCOTLAND

To the ANNUAL GENERAL COURT OF PROPRIETORS, on Wednesday, 1st December, 1943

The Directors now submit to the Proprietors the annexed Abstract Statement of the Affairs of the Bank at the Second Saturday of October, 1943, with relative Profit and Loss Account, certified by the Auditors.

The Net Profits of the year, after providing for Income Tax, National Defence Contribution and all bad and doubtful debts, amounted to £532,960 3 6.

Dividend for half-year paid at Midsummer at the rate of 17 per cent. per annum, required £180,625 0 0.

It is now proposed to pay a Dividend at Christmas for the second half-year at the rate of 17 per cent. per annum which will require £180,625 0 0.

Less Income Tax £361,250 0 0

There has been transferred to Property Maintenance Reserve Account £180,625 0 0

Contributed to Staff Pension Fund 30,000 0 0

And added to Inner Reserves against Contingencies, the Balance of 60,000 0 0

81,710 3 6 £532,960 3 6

All the Bank's Investments are valued in the annexed State of Affairs at or under the prices ruling at the date of the Balance.

The Directors record with deep regret the death of General The Hon. Sir Herbert Alexander Lawrence, G.C.B., Chairman of Glyn, Mills & Company, who had been an Extraordinary Director from 1939.

Mr. John Taylor Tulloch, M.C., C.A., who resigned from the Board on account of ill-health, has been elected by the Directors, in virtue of their powers under the Royal Bank of Scotland Act, 1873, an Extraordinary Director of the Bank. Colonel Eric Gore Browne, D.S.O., O.B.E., T.D., A.D.C., and Mr. Steven James Lindsay, D.S.O., C.A., have also been elected Extraordinary Directors.

The Governor, the Deputy Governor, the Extraordinary Directors and the Senior Ordinary Director (Mr. Murray), all retire at this time and are eligible for re-election. Auditors also fall to be appointed for the ensuing year, and Mr. George James Gregor, C.A., and Mr. S. W. Murphy, C.A., offer themselves for re-election.

By Order of the Court of Directors.

WILLIAM WHYTE,
Cashier and General Manager.

ABSTRACT STATE OF AFFAIRS, at 9th October, 1943

LIABILITIES.		
1. DEPOSITS with accrued Interest and other Credit Balances	£95,336,360	4 6
2. NOTES in Circulation	7,621,699	0 0
3. DRAFTS OUTSTANDING	1,058,358	4 7
4. ACCEPTANCES and INDORSEMENTS of Foreign Bills and other Obligations	3,108,673	8 8
5. CAPITAL		
6. REST	£4,250,000	0 0
7. Proposed Half-year's Dividend payable at Christmas (less Income Tax)	4,125,965	5 10
	180,625	0 0

ASSETS.		
1. GOLD and SILVER COIN, BANK OF ENGLAND NOTES, NOTES of other Banks, and CASH with Bank of Eng Bankers		
2. MONEY in London at Call and short notice, and Cheques, etc., payable on demand, in hand, and in	£45,057,339	16 11
3. BRITISH GOVERNMENT TREASURY DEPOSIT RECEIPTS	10,458,080	9 7
4. BRITISH GOVERNMENT SECURITIES and Securities guaranteed by British Government	7,000,000	0 0
5. DOMINION and COLONIAL GOVERNMENT SECURITIES, BANK OF ENGLAND STOCK and CORPORATION STOCKS	43,310,319	15 10
6. Other Securities	921,049	14 0
7. Williams Deacon's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each, fully paid	523,666	7 10
8. Glyn, Mills & Company £1,060,000 Stock		
9. BILLS discounted (of which £1,465,000 British Government Treasury Bills)	3,093,750	0 0
10. ADVANCES on Cash Credit and Current Accounts	2,800,000	0 0
11. LOANS on Stocks and Securities	3,151,513	1 4
12. BANKING CORRESPONDENTS and other Customers for Acceptances and Indorsements and other Obligations, per contra	24,215,463	17 7
13. BANK BUILDINGS (partly yielding rent)	946,578	7 4
14. PROPERTY yielding rent	3,108,673	8 5
15. FREEHOLD PROPERTIES in London (partly occupied by Bank and partly yielding rent)	364,588	5 4
	165,657	19 5
	565,000	0 0
	38,411,224	19 5
TOTAL ASSETS	£115,681,681	3 7

PROFIT AND LOSS ACCOUNT

To Property Maintenance Reserve Account	£30,000	0 0
Staff Pension Fund	60,000	0 0
Dividend for half-year, paid at Midsummer, less Income Tax	180,625	0 0
Dividend for second half-year, to be paid at Christmas, less Income Tax	180,625	0 0
Inner Reserves against Contingencies	81,710	3 6
Balance, being free Rest or undivided Profits, carried forward	4,125,965	5 10
	£4,658,925	9 4

By Rest at 10th October, 1942	£4,125,965	5 10
Net Profits after deducting expenses of management at Head Office and 209 Branch Establishments, allowing for rebate on Bills Current and providing for Income Tax, National Defence Contribution and all bad and doubtful debts	532,960	3 6

T. BROWN, Chief Accountant

AUDITORS' REPORT

As Auditors appointed by the Proprietors of THE ROYAL BANK OF SCOTLAND, we have checked the Cash on hand at Head Office, Glasgow and London (City Office) and the other Assets and of the Liabilities set forth in the foregoing Abstract State of Affairs; and we now certify that in our opinion said Abstract State is a full and correct view of the state of the Bank's Affairs, as shown by the books, at 9th October, 1943.

EDINBURGH, 8th November, 1943.

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

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, December 4, 1943.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5233 REGISTERED AS A NEWSPAPER DECEMBER 11, 1943 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

Power and Peace	765	Consumption or Investment	769
First Come, First Served?	766	Official Statistics	783
Imperial Regionalism	768	U.S. Banking in Wartime	784

NOTES OF THE WEEK - 770

The Turks in Conference; To Fight or Not to Fight; Aid to Persia; The Problem of Supplies; Labour and the Land; Policy for Agriculture?; Mr Morrison's Party?; The Beveridge Plan; Italian Side-show?; University Battleground; Civil Strife in Yugoslavia; Hudson on Farm Prices; The Disabled Persons Bill; Secret Diplomacy?; Press Hysteria; Colonial Research; Internal Combustion; Shorter Notes

AMERICAN SURVEY - 776

Industrial Incentive—Two Models; Subsidy Strategy; Down on the Farm; The Soldiers' Vote; Suckers and Scruples; Unregenerate Kansan.

THE WORLD OVERSEAS - 778

The Relief Resolutions; Inflation in Eire?; Latin American Coffee; West African Cocoa—A Correction.

THE BUSINESS WORLD

BUSINESS NOTES - 785

Russia and Gold; Control of the Coal Industry?; "Cavilling" for the Pits; The Mines Call-Up; More Settled Prices; Post-War Foreign Investment; Shipping Freight Markets; Pre-Fabrication of Houses; More Bank Notes; Eire's Balance of Payments; Brazil Settlement Injustice; US Patent Reform; Cotton Mill Reconstruction; Industrial Rehabilitation; Popular Tailoring Contrast; Rubber Tyres; Company Results.

COMPANY MEETINGS - 794

RECORDS AND STATISTICS - 795

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Power and Peace

IN the last three weeks the whole field of Allied military and political strategy has been surveyed by President Roosevelt, Mr Churchill, Marshal Stalin and General Chiang Kai-shek in a succession of meetings in the Middle East. From the wording of the communiqués issued after each conference it appears that an almost complete integration of Allied military plans has now been achieved. The concentration of physical power promised by this unity is overwhelming and quite new in history.

The peoples of the world know much less about the political results of these and earlier discussions. Definite decisions have been announced only in the cases of Italy and Austria, after the Moscow meeting, and Korea and Persia, after the latest conferences of Allied leaders. The Cairo Conference, which General Chiang Kai-shek attended, established the negative principle of stripping Japan of its conquests since last century. The Teheran Declaration underlined the general and more positive need for co-operation between all states, great and small, and affirmed the principle of non-interference in the internal affairs of peace-loving nations. But these two pronouncements do not yet add up to the outline of a policy.

The picture has been further confused by the publication in Britain, on the eve of the Teheran Conference, of a long address delivered by General Smuts in London. The speech was a personal not an official pronouncement, and he is a member of the War Cabinet, and since the statement of foreign policy has yet been made, it is

the speech has inevitably been taken to give more than a glimpse of the British attitude.

Broadly, the theme of the speech is the relation of power to peace. "Peace unbacked by power remains a dream." Power rests now, he argues, overwhelmingly with the three Great Powers, the "trinity," Britain, Russia and the United States. France has collapsed, Germany may not be allowed to rise again, Italy will never be a Great Power. It is, therefore, on the trinity that the peace of the world depends. But, his argument goes on, the three are themselves unequal partners. Russia is a "colossus that bestrides the Continent." The United States has unrivalled strength. And Britain?

From the material economic point of view she will be a poor country. . . . The purely European position of Great Britain will be one of enormous prestige and respect . . . but she will be poor.

The balance of power must, therefore, be redressed. To this end, Britain must form a closer union, General Smuts proposes, with the smaller Western democracies.

This is by far the most concrete statement on the post-war world that has yet been made. The speech has two things in common with the various official communiqués—consciousness of power and indifference to concrete policies. After the last war, the political principles of reconstruction—League of Nations, self-determination, national sovereignty—were very widely discussed. Wilson's Fourteen Points were

a digest of a much wider volume of thought. The failure last time was the failure to grasp the relation of responsibility and power to the new political framework. This time, power is in the centre of the discussions. It is the framework, the policies, the principles that are missing.

The approach through power, however sharply it may underline the need for collaboration among the great nations and the fundamental nature of their special responsibility, does not in itself constitute a policy. In the first place, power relations are the most difficult to define exactly. A policy based entirely on an assessment of power is an attempt to reach a static settlement of a dynamic problem. After the last war, four great Empires collapsed—the German, the Russian, the Austrian and the Turkish. The collapse in Russia and Turkey was as great as the collapse in France to-day; yet both these empires reasserted their power.

Nor does it serve the cause of constructive peace to assess actual power wrongly. Russia is not "the mistress of the Continent, with the others down and out." The Russians are fighting desperately on the Dnieper with terrific wastage in lives and resources. Nor is Britain so poor. Power depends on industrial potential. If the figures of aeroplane construction said to have been given by Marshal Stalin at Teheran—10,000 planes a month in America, 3,500 planes in Britain and 3,000 in Russia—are correct, the disparity is not so great as General Smuts suggests. Power is thus difficult to assess. It is also a disintegrating factor in international relations, unless it is clearly related to a concerted policy. This war has certainly taught that policy without power leads to frustration; The opposite truth should not be forgotten. Great concentrations of power, if their policies are obscure and their intentions hidden, lead to counter-blocs and counter-action. Indeed, this fact is indirectly admitted by General Smuts. If his estimate of Russia as a "colossus" did not fill him with apprehension, why should he fear an "unequal partnership"? The way of power, unrelated to constructive ends, means uneasy juggling for a margin of strength between the great nations and panic manoeuvring among their smaller neighbours to join this or that sphere of influence. This may be rationalised or formalised into the concept of a "Western fringe"; but it nevertheless remains an unstable balance of power.

The Teheran Declaration, by its emphasis on the co-operation of all states, gives hope that the three leaders had some much more constructive purpose before them. Only it is impossible to deduce what it was. They made no declaration about Germany. They mentioned no principle for the negotiation of frontier differences. They hinted at no plans for the economic integration of Europe. They made no statement on regional groupings or on any other co-operative framework for individual sovereignty.

Without policies on the Europe's future can be as dangerous principles of power, counter-blocs, by spheres of influence, xenophobia, backed by economic nations degenerating slowly—or perhaps rapidly—into man's-land of a new world war.

Britain's interest is obvious, even if the means of achieving it are more difficult. Britain does indeed need a restored Europe, and restored, not to division and Great Power rivalry, but to the unity in diversity which was for long the hallmark of European civilisation. The European nations exist. Indeed, they are furiously alive; there is no graveyard to be cleared and built upon, no vacuum to be filled according to some novel plan. They need a co-operative economic and functional framework to make their separate national sovereignties workable. They need, behind this regional frame, the world power of the "trinity" to ensure them peace. It should be the aim of British policy to achieve right and effective organisation at all three levels. The obstacles are there. The Soviet Union still distrusts a reorganised European system on the ground that it might be directed against them. The nations of Europe show little sign of realising that if they hope to restore the prosperity and prestige of their continent, they must not only renounce their largest national ambitions, but also allow the German people to rise with them. The economic backing of the United States is by no means yet assured. Doubtless there are other hazards, but the course should be surely set.

A Europe reorganised in variety and unity can never be merely the product of power politics, any more than the British Commonwealth is the product of power politics. They both must have a framework of power to keep them secure; but their inner principle is consent and agreement. So much power has been needed to destroy Hitler that power seems sometimes to hypnotise the lovers of peace. Britain should at all costs resist this hypnosis. Overwhelming power has never solved the problem of Europe and it would be folly, in defeating Hitler, to accept the premise on which he worked.

As Raymond de Becker, a Belgian quisling, has written:

With the help of all Europe Germany could have won, but for that she would have needed a great European policy. She has not applied this policy. European unity is in the making, but against Germany.

There are signs that the Allies in the name of "realism" are ready to mistake Europe just as the Nazis mistook it. These signs are perhaps misleading. So we may hope; but until concrete decisions emerge from the conferrings of the great, we cannot be sure.

First Come, First Served?

THE Minister of Production made an important remark last week that has so far escaped attention. In the Commons debate on the Address he spoke of the need to "hold back" capital reconstruction "somewhat" after the war until the insistent demand for consumption goods—that is, mainly for clothing, shelter and maintenance—has been made. Does this mean that it is the Government's view that industrial re-equipment must be given only a secondary priority in post-war plans because of the inevitable shortage of resources?

Up to a point, of course, this is a truism. There is an acute shortage of houses, household goods, clothing and boots and shoes, measured by the certain sudden need when demobilisation from the Services and factories begins. The main public outcry will be, rightly, for homes, the third item in Mr Churchill's trinity. But there is another item in the trinity which is at least as important, and upon which all else, in fact, depends—namely, work. The most persistent demand, by the satisfaction of which all policies will be tested, will be for full employment.

Immediately after the war, there will, of course, be more work to do than workers to do it. But there is work and work; the demand for the highest possible standard of living will also be persistent. The need will be, that is, for wealth and welfare as well as work; and full employment, with the highest possible yield in terms of goods and services, cannot be obtained unless the country's industry is re-tooled and re-equipped with the utmost speed. Money incomes can be redistributed on Beveridge lines, whatever the size of the national income; but the choice between this or that project, in real terms, depends on the volume of resources available, and the order of priorities must be rightly drawn.

This is the dilemma, made familiar only by more than four years of war economy, the problem of how far a community is required to forgo present advantages to secure greater advantages in the future. Some months ago when the Government published its plans for the scale training of building labour, the doubt was cast in these columns whether too much of the

was not being mortgaged for house-building and too little for industrial reconstruction. At the least, Mr Lyttelton's words have not removed that doubt; it all depends on what "somewhat" meant in his pronouncement. In practical terms, the question is how far the immediate imperative post-war demand for food, clothing, shelter and amenities can be met without prejudicing the country's future or post-war employment. It is not the purpose of this article to offer a precise answer to this question, but merely, having stated it, to suggest two points which appear to be relevant.

The first point is that, in terms of bare accommodation, the demand for housing is much more short term and small scale than is usually admitted. It is true that the immediate shortage of houses will be acutely felt when the war ends; but it is equally true that the actual shortage, in terms of a dwelling of some sort for every family, is very much smaller, perhaps only a quarter, of the houses the Government is apparently preparing to build in the next ten or twelve years. If the worst comes to the worst, much less house-building will suffice. It is, of course, very desirable that three or four million houses should be built. Many existing dwellings are hardly fit to inhabit by the best modern standards. There will be no better future investment, when the resources are available, than to replace the bulk of the nation's working-class houses. But it would be very poor policy indeed, from the standpoint of the nation's power to produce and trade to build them at the expense of the nation's power to produce and trade efficiently; and it was this disturbing prospect that Mr Lyttelton's words almost seemed to imply.

In other words, there is a case—a very strong case—for putting industrial re-equipment higher on the list of priorities than the replacement of obsolete or obsolescent dwellings—equally high, that is, as the remedying of the actual housing shortage. It may well be possible, if a policy of full employment can be successfully applied, and if the equipment and efficiency of industry can be raised to the highest point—if, in short, the nation's resources can be effectively expanded—to do both, to replace plant, machines and houses equally. To say that there would be work for all in building houses is no answer. Full employment means much more than universal bricklaying. However many the building jobs that could be provided, the basic needs of industry must still be met, if there is to be real full employment with the highest possible national income and standard of living. The only way to raise the standard of living rapidly, as an article on page 769 once more argues, is to raise the rate of industrial investment—and then, perhaps *pari passu*, the rate of "amenity" investment. As Lord Woolton said on Wednesday in his first statement in the Lords as Minister of Reconstruction, first things must come first. Admittedly, the immediate shortage of houses when the war ends must be included among the first things. But

this is an argument, not for committing the nation to start at once on a large-scale programme of housing replacement, but for providing accommodation for the homeless and overcrowded by the quickest and least costly methods. The crucial task is to fill this immediate gap without holding back industrial re-equipment perilously; that is, the onus rests upon the capacity of the building industry to consume as little as possible of the nation's resources in meeting the minimum needs that must be met in any case.

Equally important is the need for all building to be carried out in such a way as not to prejudice the larger aims of rebuilding and town and country planning. Nothing in the economic argument advanced in this article contradicts the urgent necessity for effective powers to guide industrial location; to promote schemes for the decentralisation of population and work; to solve the problem of compensation which at present blocks all planning of land use; to lay down standards of maximum density in housing reform; and so on. The next generation's building will be done in the way in which it is started, and it is little short of fantastic that local authorities should now, perforce, be busy on their plans for post-war building without any guidance on these points.

But the economic problem remains. It may be that Mr Lyttelton did not intend to imply that the re-equipment of industry has been put back, side by side with the planning of land use, to be dealt with after the post-war scramble for goods and services for immediate consumption has been tackled. Perhaps the dilemma is not as absolute as he seemed to suggest. The public has not been given the necessary facts and figures to decide, even if the Government itself has collected them. But the suspicion that this may conceivably have been the Minister's meaning reinforces the demand that is now being made in Parliament for a very much clearer statement from the Government of its policy for post-war production and employment, and of the principles upon which it is working out that policy.

Lord Woolton did not make such a statement on Wednesday. From the start he has caught the native woodnotes mild of the present War Cabinet. He refused to promise anything—and in the case of the much discussed four million houses he may have been wise. But it is a significant commentary on this generation's politics that a pledge to act in a responsible fashion, which should surely go without saying, now serves as a substitute for a declaration of policy; and an odd reflection on the attitude of a Coalition led by Mr Churchill of all men that its motto for reconstruction should be "safety first." Whatever the risks of the future, and they are great, inaction cannot be a virtue; and action can only be vicious if it is carried out reluctantly, piecemeal and without the proper context of a master-plan—for social security as well as for the social services, for production as well as for employment, and for industry as well as for separate industries.



CREATE AN ESTATE

Every man who effects a Life Assurance Policy immediately creates for those dependent upon him a personal Estate of known amount free from the risk of depreciation

EQUITY & LAW LIFE ASSURANCE SOCIETY
LINCOLN'S INN FIELDS

Temporarily removed to
163/4, STRAND, LONDON, W.C.2

Imperial Regionalism

REGIONALISM is the fashion. In one form or another it is proposed as a solution for the problems of English local government, European politics and international relations generally. It is hardly surprising, therefore, that it should also be suggested for the British colonial empire, especially since the majority of the colonies have the same problems as English boroughs and Balkan states—they are for the most part poor and solitary, unable to stand on their own feet.

There are additional reasons why regionalism appears an appropriate remedy for the colonial empire. More than in any other part of the world, frontier divisions cut across natural divisions, with the result that in Africa a tribe may have been cut in two and put under two different administrations—sometimes under two different colonial powers—and in the South Seas the three big racial divisions, Polynesia, Melanesia and Micronesia, and the geographical grouping of the islands bear no relation at all to the patchwork quilting of the political divisions, which place the islanders under the sovereignty of eight different powers and twice as many types of jurisdiction.

There is thus at first glance much evidence to support General Smuts's wish, expressed in his address to the Empire Parliamentary Association, to "tidy up the show." He proposed that the number of independent colonial units should be reduced by grouping colonies together; that the larger units thereby formed should be given larger powers and greater authority in order to

overcome the difficulty of the highly centralised system . . . which . . . gives outsiders the occasion to blaspheme and to call the colonial empire an imperialist concern, run in the economic interests of this country.

Further, he suggested that the new colonial groups might be brought into closer contact with neighbouring Dominions, with the result that

you will bring to bear on the problems of these colonial groups the experience and resources and leadership of the local Dominions, too.

There would thus be a link between Great Britain, the Dominions and the colonies—in other words, the dualism of Commonwealth and Empire would be diminished—which might best be forged by "a system of regional conferences," to include both the local Dominion and the regional colonial group concerned. Specifically, he suggested grouping together the British African colonies into West Africa, East Africa and Southern Africa.

There is nothing very novel about General Smuts's proposal. The idea of amalgamating, for instance, Northern Rhodesia, Nyasaland and Southern Rhodesia into a single Central African territory has been discussed for many years. There have been regular meetings of the East African Governors' Conference for some time past. Since the war, the economies of the four British West African colonies have been co-ordinated by the appointment of Lord Swinton as Minister Resident. Outside Africa, the Anglo-American Caribbean Commission was established in March, 1942,

for the purpose of encouraging and strengthening social and economic co-operation between the United States of America and its possessions and bases . . . in the Caribbean, and the United Kingdom and British Colonies in the same area. . . .

Finally, the British Government itself has spoken on the subject. As an afterthought to a Commons debate on the colonial estimates last July, the Secretary of State for the Colonies said that the Government "have in mind"

the possibility of establishing Commissions for certain regions. These Commissions would comprise not only the states with colonial territories in the region but also other states which have in the region a major strategic or economic interest. While each state would remain responsible for the administration of its own territory, such a Commission would provide effective and permanent machinery for consultation and collaboration. . . .

Thus, both actual developments and official utterances have in fact already outrun General Smuts. He, it appears, was thinking solely of British colonies and British dominions. There is no hint in his address that his regional conferences should be extended to include representatives of other colonial powers in the region, much less of non-colonial powers with only "a major strategic or economic interest." But the Anglo-American Caribbean Commission is international. So, too, is the Middle East Supply Centre, which is different again in that it includes in its scope independent states as well as colonial dependencies. As a factor in promoting closer international co-operation and thereby helping to secure the peace of the world, the General's proposal is to this extent behind the times.

But the time has come to discuss imperial regionalism, not from the point of view of international relations, but from that of the colonies. Is it in the colonies' real interests that they should be grouped together and administered regionally, or is it merely a paper device, theoretically sound but impracticable and possibly dangerous?

The case for and against colonial regionalism has been well argued in a pamphlet* issued by the Fabian Colonial Bureau, which also gives the historical background of international co-operation in the colonies. A thorough analysis of present developments. Briefly, the arguments given in the pamphlet in favour of regionalism are—from the colonial standpoint alone—first, that many colonial problems, such as disease, soil erosion, transport, migrant labour, and so on, cross frontier boundaries and can only be effectively tackled over a wide area; secondly, that through a regional commission economic policy could be integrated and made complementary, and that a larger area has a better chance of obtaining the finance necessary for development than has a small poor colony acting in isolation; and, thirdly, that the third party judgment provided by a commission will be a stimulus to national and local administrations to undertake progressive policies.

But, if the advantages of regionalism are obvious, the drawbacks, which the Fabian pamphlet next enumerates, are not so apparent and therefore more dangerous. The pamphlet points out that the interposition of an intermediate authority between a colony and a colonial power may tend to obscure the place where real responsibility lies. This is very important. At present, responsibility is clearly placed on the Colonial Secretary, on whom the pressure of public opinion can be brought to bear, but, for all General Smuts's plea for decentralisation in the Empire, a regional authority "may widen the gap between the governors and the governed." Secondly, the pamphlet cites the case of a colony well on the way to self-government, which suddenly finds the powers and responsibilities it was about to assume transferred to a new organisation. Thirdly, it is possible that the actions of such a commission might be kept secret, for there is no provision for popular control or the safeguard of public criticism. Finally, there is the danger that a reactionary power might assume, through size or wealth, the dominating influence on the commission.

This last danger is the crux of the whole question. And it has a special significance in view of General Smuts's speech. For if a local Dominion were to take an active part in the affairs of the Southern African African colonies, it would be his own Dominion, and a Dominion whose native policy is disliked and feared by the natives of East and Central Africa—by the great majority, in other words, of British colonial peoples in those areas. But the General made no mention, in his address, of this formidable obstacle to African regionalism. Indeed, his admission of the race and colour problem in the Empire contained no indication

* *International Action and the Colonies*. Fabian Publications, Ltd., and Victor Gollancz, Ltd. 1s.

that the Union of South Africa intends to pursue a more racial policy in this respect. Nor is it solely a question of native policies in the Union. Grouping together Northern Rhodesia and Nyasaland with Southern Rhodesia would mean either that this self-governing colony would have much of its responsibility in internal affairs taken away—which is hardly a possibility—or else that the first two territories would come under Southern Rhodesia's domination, and it will be recalled that the Africans, giving evidence before the Bledisloe Commission, showed a remarkable firmness in their opposition to amalgamation. Similarly, the grouping together of Kenya, Uganda and Tanganyika might only result in an extension of the influence of the Kenya settlers to the other two colonies. When General Smuts said that

your own British people . . . living in Crown Colonies, are very critical and restive under this system which is centralised in London

he must have been referring to this small minority of settlers, not to the great mass of Africans who look to the Colonial Office as the protector of their interests. It is significant and disturbing that at the present moment, when regionalism is in the foreground of discussion, the Europeans in Southern Rhodesia and Kenya are once again pressing for closer union between their own colonies and neighbouring dependencies.

This is not to say that imperial regionalism should be

rejected. It exists already in one form or another, and looks as if it has come to stay. But it is important to see that it is developed along the right lines, and this cannot happen unless the dangers are openly stated and faced. Even when the dangers have been avoided, there will be many difficulties to overcome. There will be the difficulty of associating the colonial peoples in the work of the regional commission, which is a *sine qua non* whatever form it takes—the West Indians are restive because they are not represented on the Anglo-American Caribbean Commission—and yet enabling it to function efficiently; the difficulty of associating existing colonial governments in its work and overcoming possible local jealousies—Sir Frank Stockdale's development and welfare commission in the West Indies, which is regional in its scope, has come up against this; the difficulty of determining who is to have the last word when the sovereign powers represented on the commission differ on a policy to be adopted for the region. In short, Colonel Stanley can be forgiven if his parliamentary afterthought was a little vague. Imperial regionalism is not a policy that can be adopted overnight or in the same form throughout the colonial empire. But its possibilities for good are too great for it to be allowed to drop, or to proceed haphazardly, and the Colonial Office will not be forgiven if the dangers and difficulties are used as an excuse for inaction.

Consumption or Investment

THERE is nowadays a very wide measure of agreement among economists in attaching particular importance to that part of the community's income which is not spent on current consumption, and to that part of the community's output which is not intended to be immediately consumed. What is not so often realised is that there are two entirely separate, though connected, questions of public policy concerning the relationship between Saving and Investment. The first question is how the two shall be brought into equilibrium with each other. The second is whether, when brought into equilibrium, they are too large or too small.

The first question is familiar; it is the common material of all discussions about full employment policy. Two schools of thought are emerging from this discussion: one which advocates removing any discrepancy between Savings and Investment by manipulating Savings—that is, in less technical language, curing a slump by stimulating consumption—and the other which advocates the contrary policy of curing a slump by stimulating investment. In an article that appeared on October 3, 1942 (page 407), *The Economist* sided with the Investment school. But the reasons for doing so were those of political expediency rather than of principle. There can be little doubt that a practical policy for Full Employment would have to pursue both policies as far as it could. They are, after all, complementary, not contradictory.

It is not intended in the present article to reopen this question, but rather to explore the second problem, which is far less frequently discussed. This second question leaves aside the Full Employment problem and asks whether, on the average of boom and slump, in good years and in bad, the British community should devote a higher or a lower proportion of its total output to the maintenance and increase of its capital equipment. There is a connection between the two questions, for if the view is accepted that there should be an increase in capital investment in the long run, there will be more inclination to believe in the policy of stimulating investment in the slump phase of the trade cycle. But the connection is by no means organic, and it might be wholly reasonable to hold that, though there was a case for reducing the long-run average volume of Investment, nevertheless it was right to stimulate it in years when it fell below that average. In any case, the long-term problem can be discussed in abstraction from the short-term problem.

Should the country consume more? In the crudest

sense, of course it should. The whole object of the economic system is, or at least should be, to increase the volume of consumption. But it is one of the earliest lessons of elementary economics that the best way of increasing the level of consumption is to accumulate capital, which makes it necessary to abstain from consuming the whole output of the community. The question is whether the proportion of total output that goes into immediate consumption should be increased or diminished?

There is no reason why this should be regarded as a matter of political controversy. It is true that a decision to increase the proportion of consumption would make possible a number of immediate improvements in the standard of living which—at least on a shortsighted view—would be desirable. The politicians of the Left would be especially pleased, for political as well as social reasons. The fallacy that the problems of production have been solved and that the only remaining problems are those of distribution has gone deep in this country, and its result has been to make the parties of the Left what may be called "consumption-minded." But it is

1563



1831

MARTINS BANK

LIMITED

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

Every Banking Facility

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2
Total Assets £183,000,000

probably sufficient answer to point out that probably no one in the history of the world has ever taken such gigantic measures to reduce the proportion that consumption bears to total output than the Russian Communists. If to advocate an increase in Investment is to be a conservative or a reactionary, then Marshal Stalin is the most reactionary man alive.

The answer to the question turns almost entirely on the yield that can be expected on increased Investment. If present abstention can be made to result in a rapid increase of future output, and the future standard of living, then it is worth while. If the prospective yield—not in money terms, except in so far as they are an accurate reflection of the real physical increment—is low, then an increase in Investment is *pro tanto* unattractive. To phrase the matter once again in homely terms, can Britain effectively use more capital?

Lord Keynes has frequently and persistently argued that there is a shortage of remunerative projects of Investment at the rates of interest that have prevailed in past periods. But those of his disciples who argue that there is a shortage of practicable projects at any rate of yield are going beyond the master. They are also flying in the face of the facts. It may well be that, in this age, the marginal productivity of capital in this country is less than in some others—in Russia, for example. But there can be little doubt that the investment of capital in this country will still yield returns substantial enough to make it worth while.

Various factors combine to give one country a higher standard of living than another. Wealth of natural resources plays some part, as does the size of the domestic market. But that these are not the dominant factors is perhaps best attested by the fact that the British standard of living is the second highest in the world. The chief explanation of varying national productivities is so simple and obvious that it is usually overlooked—it is the volume of capital. The formula "horse-power per head = income per head" is doubtless crude; but it is more nearly true than most general propositions in economics. The more mechanical helpers are provided for each pair of hands, the more that pair of hands will be able to produce in a day's work, and the more the owner of the hands will be able to consume. The whole of British and American economic history in the last two centuries, the whole theory of the Russian Five Year-Plans, is based on that simple doctrine.

It is, therefore, only if the investment of capital has already reached, in this country, the stage of sharply diminishing returns that it would not be worth while continuing with it. But for this there is no evidence at all, while there is considerable evidence for the contrary. Dr Rostas's article in the April, 1943, issue of the *Economic Journal* established, by comparison of the official censuses of production, that the productivity of

the average worker in British manufacturing industry, before the war, lower than in Germany and much lower than in America. On the other hand, the British wage-earner received a higher share of the total receipts of industry than either the American or the German. The British worker can increase his income only by increasing his productivity towards the American level. And the great advantage that the American worker has over the British is not that he is more skilled (he is usually less skilled) or better organised (organisation alone could not account for the size of the differential), but simply that he is provided with more mechanical assistance. Until the degree of mechanisation in British industry is raised to the American level, it is ridiculous to say that there is no advantage in increased Investment. On the contrary, now that the process of redistributing income between rich and poor has gone so far, an increased rate of industrial Investment is the only means by which the standard of living of the British worker can be rapidly improved.

Nor is it simply a matter of more industrial investment, more capital for industry. In addition, there is an obvious need, if the standard of living is to be raised, as it should be, for more "amenity" or consumer's capital, for houses, roads and hospitals, a need which the "consumptionists" often, oddly enough, overlook. Such investment does not add in any measurable way to the national income, but it must plainly be provided.

This does not necessarily mean that Savings will have to be increased—that is, that consumption will have to be reduced. It may be that, with Full Employment, the people will spontaneously save enough to cover both the required volume of "amenity capital" and also an enhanced rate of replacement and extension of productive capital. What is fairly certain is that the £287 million of net domestic private investment achieved in 1938, 4½ per cent of the community's net income in that year, is not enough. And it is certain that a deliberate policy of discouraging Savings and Investment would be a mistake. The right course is to plan to find productive outlets for at least the volume of savings that the people will spontaneously generate in conditions of Full Employment. And if this is not enough, it may be necessary to consider ways of stimulating further savings, either by the voluntary methods of the National Savings Committee or by the more direct methods of the Five Year Plan.

The heart of the matter is that the Industrial Revolution is not yet finished. Other countries have already carried it much further than the British, with evident benefit to their standards of living—and even they have not yet found the limits. The Industrial Revolution was a British invention, but in recent years Britain has been tending to lag in the race for higher standards of material welfare. If we are to regain our place in the van, we shall need not smaller, but much larger, supplies of capital.

NOTES OF THE WEEK

The Turks in Conference

Ever since the Turkish Foreign Minister returned from his November consultations with Mr Eden at Cairo, there has been a growing tendency in the Turkish press to warn the Turkish people that their rôle in the war might soon become more active. The Turkish President warned the Kamutay when it reassembled that "sacrifices" would be needed for the cause of freedom and independence. Throughout the war the Turks have made no secret of their wish for an Allied victory. Even in the dark days when the Germans were moving forward in both Egypt and the Caucasus, Turkish statesmen and journalists continued to attack German policy, and to proclaim the principles of national freedom. The only question for Turkish policy was the expediency of transforming this desire for an Allied victory into active collaboration. Various forces worked against action; the most potent was the fact that Turkey had not been attacked. Neither Russia nor the United States abandoned neutrality until they became the direct victims of aggression. And the general unwillingness of a nation to risk war was reinforced in Turkey's case by two particular

limiting factors—uncertainty about Russia's intentions and doubts about British and American military strength in the Mediterranean theatre. Time has much modified both fears. Each exchange of views, every discussion or conference has strengthened the understanding between Russia and its Western Allies, and the closer their friendship, the less the Turks feel they have to fear. The wording of the Teheran communiqué, with its emphasis on co-operation between the nations, great and small, and their right to live "according to their varying desires and their own consciences," was almost certainly a real reassurance to the Turks. Doubts may still remain on the other score—Allied military weakness. The fall of Leros and Samos is recent history. But, here again, the complete military agreement at Teheran provides a far more certain background of security than has existed hitherto.

To Fight or Not to Fight

There is only one question in Turkey's foreign policy—continued neutrality or entry into the war. This is the

question which was thoroughly discussed at the meeting between President İnönü, President Roosevelt and Mr Churchill in Cairo. The plans for the southern front have presumably been laid before the Turks, and the part they might play clearly indicated. The chief pressure for Turkey's full entry into the war has been coming from Russia. The British and Americans, who would have to reinforce the Turks if the German counter-thrust were vicious, have been more inclined to let the Turks decide for themselves. It is possible that, after Teheran, it has been possible to agree on a solution resembling the Portuguese loan of the Azores to Britain. Air bases, harbour facilities and free use of the Dardanelles would all greatly assist the Allies in a Balkan campaign. They might involve Turkey in war. On the other hand, as in the case of Portugal, it may be that Germany's strength is spread too thin in the south-east for further commitments, unless made compulsory by declaration of war. This is the gamble the Turks are being asked to make. There must be a military risk, yet inaction now entails even greater political risks for the post-war period.

Aid to Persia

The declaration on Persia issued by President Roosevelt, Marshal Stalin and Mr Churchill has more than immediate importance. It laid down for the first time certain principles of action for the post-war period, and suggested that these principles will be carried out through common action by the Great Powers. The mere fact of the Allied occupation has inevitably raised the problem of Persia's future status, the more so because the record of British and Russian diplomacy in Persia has not always been above suspicion in the past. The renewed affirmation of the Great Powers' "desire for the maintenance of the independence, sovereignty and territorial integrity of Iran" is a guarantee that the Persians need not fear the parcelling out of their territory into zones of influence, nor the continuation of the occupation beyond the duration of hostilities. The extent to which the Russian authorities, on the one hand, and the British and Americans, on the other, have tended to work in isolation from each other has tended to accentuate the "zones of influence" approach. Possibly there will be more co-ordination of policy as a result of the Teheran conference. Some machinery for closer consultation is needed, to ensure that decisions taken in different parts of Persia do not clash. The more the Powers work together, the more the Persians can feel that the visitors in their midst are acting under wartime necessity, and not pursuing separate imperialist policies.

The Problem of Supplies

The economic issues in Persia are as important as the political, and even more immediate. It is an undoubted fact that, economically, Persia has suffered considerably from the effects of the Allied occupation. The northern areas from which grain surpluses normally come have not been sending their qubas south. The British and the Americans have brought in grain, but it has not been properly distributed. There has been a tendency to blame the Persian Government for this, on the ground that hoarding and black marketing have prevented fair distribution; and the Persian Government has certainly failed to some extent to take the proper measures. But lack of transport is at the root of the shortages. Here the Allies are frankly to blame. Under wartime conditions it may have been necessary to keep Persia short, because of the urgent need to get supplies to Russia, which has been, of course, always paramount. The Persians have suffered as a result. In common justice they have a high claim in post-war reconstruction, and the aid they receive should be more than a mere dole or direct compensation. Persia requires much assistance if the country is to be equipped with the economic apparatus of a modern state. The Great Powers can give this aid, which will prove at the same time the best guarantee of Persia's ability to achieve full political as well as economic independence.

Labour and the Land

Nationalisation of the land has long been the central plank of Labour's agricultural programme, but the concept has always been somewhat nebulous. In its latest statement, the party, reviewing the effects of the war, concludes

that nationalisation is not only more necessary than ever, but has been brought appreciably nearer, and it puts forward a scheme for bringing it into effect. The State would be empowered to acquire all agricultural land by a General Enabling Act, which would lay down the basis of compensation. The present owners would receive in exchange special land-stock of appropriate amounts at a fixed rate of interest; but the Government would have the right to redeem the stock after a period of years. Acquisition should be "carried out as rapidly and on as large a scale as practically possible," but, pending the total acquisition of land, a National Land Commission would issue development bonds at low interest rates, and make loans for providing farmers with equipment; if existing owners were unable to provide sufficient capital, the Commission would buy the land outright. The report recognises that acquisition is not enough; the land must be efficiently farmed and managed. It therefore recommends that the wartime County Executive Committees should continue, and, in conjunction with the Land Commission, fix standards of cultivation and see that these are reached. The Ministry of Agriculture would be responsible for formulating a home food programme, which should be directed towards the production of protective foodstuffs, and aim at a "balanced" agriculture. Prices should be fixed "at the level necessary to bring forward the required supply from farms run at a fair level of efficiency," while a more economical and orderly system of distribution would be introduced, under the general control of the Ministry of Food. The Labour party asks for increased wages for farm workers, improved rural amenities, housing, education and communications—it would abolish the tied cottage, that survival of feudalism. It recommends an extension in the number of farm colleges and institutes and stresses the importance of education and research. A great many of Labour's proposals will command wide support—political groups from Conservatives to Communists, owners, farmers and farm-workers have all expressed themselves in favour of much of what they propose. Some will oppose the retention of farm agricultural committees, and there will inevitably be a sharp controversy over the question of land ownership. Nationalisation has indeed been proposed by quite non-political agricultural experts, such as Sir Daniel Hall, as well as by Socialists. It is not a doctrine or an end in itself. If it can be proved that the land will be farmed more efficiently, and used more in the community's interest, under State ownership, and that this is the only way of ensuring sufficient supplies of capital equipment to farmers, then the case for acquisition is made. But onus of proof rests with those who advocate it.

Policy for Agriculture

Throughout Labour's farm programme, emphasis tends to be laid on producers' interests and "fair prices" for the producer. It would be a pity if, in the first flush of excitement at its crusade among the agricultural community, the



YOUR WILL

Have you thought of the anxiety which may be caused to your dependants if for any reason your affairs have not been satisfactorily arranged?

In these days when life is so uncertain, the advisability of appointing a corporation rather than an individual as the Executor of your Will or in the capacity of Trustee needs little emphasis. By so doing, continuity is preserved and you are assured of efficient administration.

Full details can be obtained, whether you are a customer of Lloyds Bank Limited or not, from any Branch or from its Executor and Trustee Offices at

Ewhurst Place, Ewhurst (near Guildford), Surrey, 39 Threadneedle Street, E.C.2, 5 Albemarle Street, W.1, Birmingham, Bournemouth, Bristol, Exeter, Liverpool, Manchester, Neath (Glamorgan) and Newcastle upon Tyne.

LLOYDS BANK
LIMITED

Head Office: 71 Lombard Street, London, E.C.3

Labour party were to fail to remember that the interest of industrial workers who, after all, form the vast majority of the population and are the mainstay of the party, lies in the provision of cheap and abundant food supplies. The only purpose of food production is food consumption, and the only object of expanding world agricultural output is to meet the immense human nutritional needs, as recommended by the Hot Springs Conference. In the short run, Britain may have to continue its expansion of every type of production to meet postwar needs. In the long run, to aim at a "large and prosperous" agriculture, except within carefully defined limits, would be uneconomic in the world context, and would be contrary to the interests of producers and consumers alike.

Mr Morrison's Party?

Mr Morrison is at present politics' chief fighter. So far, he has not engaged in the championship bout for which most people believe he is in training. Most of his current battles are rather minor affrays in the booths—on the floor of the Commons or at public meetings. Last weekend he faced and beat hostile critics at a meeting at Wembley. He said, as he should have said from the start, that Sir Oswald Mosley has not in fact been released, but only moved under the severest safeguards. He asked his critics to state under what law he could now charge or imprison Sir Oswald, who has not been proved guilty at law of any offence. But this is only a chapter in a longer story. Mr Morrison is at the parting of the ways. There is much interest in whether or not he really intends to contest the title of party or national leader. His position is peculiar. A major weakness of the Labour party at the present is the lack of a policy. Mr Morrison in his speeches has outlined a policy; but the party has not taken it up. The party also lacks decision. It is divided on the question of Coalition, and still more divided on the question of returning to Opposition as soon as the war ends—which indeed, without a policy, might be disastrous. At Wembley, Mr Morrison called again for unity in reconstruction, but once more left it quite uncertain whether by unity he meant the perpetuation of the Coalition after the war. In other words, Mr Morrison has not yet made up his own mind. Meanwhile he has his party in a cleft stick. The party's only present prospect of regaining prestige and attraction is to adopt something like Mr Morrison's programme; but Mr Morrison remains, to all appearance, a chief advocate of the merging of party identity in a national front.

The Beveridge Ban

The Chancellor of the Exchequer has sternly rebuked critics of the instruction sent out to civil servants not to talk about the Government's plans for post-war employment with Sir William Beveridge. His justification of the ban is a double one: first, that this is no more than the particular application of a general rule; secondly, that it is specially important that people should realise that Sir William's own inquiries into employment prospects are, unlike his survey of social security, entirely unofficial. Of the first point, it must be said that the rule is a bad one, especially in wartime, when many of the most useful and active brains are employed in Government service; there is an urgent need for the fullest participation of all individuals, official and non-official, in discussions about post-war policy. The second point is equally unconvincing. If the intention was to make plain that Sir William Beveridge's present work is not official, the proper means was to make a public statement to this effect in Parliament or elsewhere; the instruction to civil servants merely tells them what they surely already knew.

Italian Side-show?

The Eighth Army has advanced to half-way between the rivers Sangro and Pescara, and may reach the Rome-Pescara road in the next days. The fighting has, all the time, been heavy and "old-fashioned," so much so that it has evoked memories of bloody battles in Flanders mud. The same has been true of the fighting at the western end of the front, where the Fifth Army has stormed and taken some of the mountain obstacles in front of the Garigliano, but is still hampered in its advance by bad weather and

swollen streams. But the sluggardly tempo of the Italian campaign is not due only to the weather. Despite massive artillery bombardment, much less striking power seems now to have been put into the attack than was anticipated earlier. This is only natural in view of the new and great demands of strategic plans, made since the Quebec Conference, for the Far East, for the West, and perhaps also for the Eastern Mediterranean. The great concentration of power, previously expected in the Central Mediterranean, may now have been very largely dispersed. The strategic decisions announced at Teheran seem, in fact, to suggest that the Italian campaign is now considered as, if not a side-show, only a secondary operation, compared with the great blows which are being prepared "from East, West and South."

University Battleground

Dramatic events at Oslo University mark the final failure of stubborn German attempts to nazify the political and spiritual life of occupied Norway. The policy of *Gleichschaltung* was started in September, 1941, when the Principal and several professors of Oslo University were deported to Germany and replaced by adherents of Quisling. The university was, however, allowed to carry on, and since then, up to the end of last month it was the scene of a half-hidden struggle between patriotic professors and students, on the one side, and the Germans and the Quisling Principal, on the other. More than a year ago the independent professors opposed and prevented the recruitment of students for the Anti-Bolshevik Legion. The latest conflict broke out over the attempt to limit entrance to pro-German students; the Principal was to decide whether candidates were worthy of being admitted. The entire university sprang to the defence of its traditional "freedom of entry." Twenty-five professors and teachers and 1,300 students, were arrested and threatened with deportation to Germany; the rest of the students went into hiding. The university itself has been closed. This has led to a most impressive movement of protest in the remaining universities of Europe. Even in occupied Denmark the universities have raised their voices, and the Finnish Government has had to forward the protest of the Finnish universities to Berlin. Such protests, coming from occupied or Axis lands, are perhaps even more significant and encouraging than the demonstrations in neutral Sweden and Switzerland. The Swedish Government went a step further and itself made a formal protest to the German Government—the second official demonstration of this kind, the first being its protest against the deportation of Danish Jews. This time Ribbentrop could not ignore it, and replied with a counter-protest against Swedish interference in German-Norwegian relations. These events show how low German prestige now stands in Europe.

Civil Strife in Yugoslavia

The split between King Peter's Government and the partisans in Yugoslavia has come to a head with the formation of the National Committee of Liberation by General Josip Broz Tito. Yugoslavia has thus two Governments which means that the state of civil war has now become quite open. King Peter's Government rightly claims for itself the qualities of legitimacy and continuity. But these are its only virtues. Its vices are many. It is not representative of all the southern Slav nationalities; it rather represents the most narrow pan-Serbian outlook; it is not democratic. Last but not least it had allowed itself to be swayed too far by the "prudent" tactics of inactivity, which has brought General Mikhailovitch's army to the point of disintegration. The number of his followers is said to have dwindled to 15,000; and parts of his army have undoubtedly compromised themselves by obscure dealings with the Nedić Government, if not with the Germans. It was presumably to them that the warning of General Maitland Wilson was addressed some weeks ago; and it is a fact that there has been no liaison between the Allied Command and Mikhailovitch's Chetniks for some time past. Tito's Provisional Government, on the other hand, cannot produce a legitimate birth certificate. But while its origin is obscure its fighting record is not. The partisans are said to number between 150,000 and 200,000; and there is close liaison between them and the Allied Command—and, despite disingenuous tales of Soviet leadership, no liaison, until its start

in the last few days, with Russia. The composition of Tito's Provisional Government is far too broad to justify the label "movement of terroristic violence" attached to it by the Cairo Government. It includes, besides Communists, people of all political colours, such as Ivan Ribar, ex-President of the Yugoslav Constitutional Assembly, M. Smolaka, ex-Ambassador to the Vatican, Dr Seruce, ex-Governor of Slovenia under General Zivkovic, and the orthodox priest Zecevitich. It is, however, impossible to say whether these personalities participate in the Provisional Government merely as individuals, or whether they do so on behalf of the political groups with whom they were associated in the past. And on this the degree to which the Tito Government is really backed by different social and political forces in Yugoslavia depends to a very large extent.

Hudson on Farm Prices

Mr Hudson, the Minister of Agriculture, can hardly have expected applause from farmers for his 1944 price schedule. Indeed, he could not expect applause from them for any price schedule, however generous. He had little difficulty, however, in countering the criticism of his new price-lists when he addressed farmers, farm-workers and landowners at Leeds on December 3rd. The Minister pointed out that the cost of increased wages would be £15,000,000 in a full year, and £9,000,000 in the current year. Against that, farmers would receive £5,500,000 in higher milk prices and another £500,000 in increased prices for fat cows. In other words, farmers' receipts will fall short of their increased wages bill by £3,000,000, that is, by appreciably less than has been estimated unofficially. This, in his view, is a small sum if related to the expected turnover of farmers, that is, between £570 and £600 millions. (At the Ministry of Agriculture, a comparable pre-war figure is said not to be available; an indication of the increase is provided by the fact that the gross value of agricultural and horticultural produce in 1938-39 was £219 million.) Prices for 1944 have been fixed at levels which, in the view of the Government, will enable all efficient farmers to obtain a "reasonable," and in some cases a "generous," return for their work. The Minister insisted that the prices farmers are enjoying to-day—the Government's index of farm prices during the first half of this year shows an increase of some 86 per cent over the figures for the corresponding period in 1939—not merely cover their increased costs, but provide a markedly bigger incentive to production. The only fundamental criticism that can be made of the Government's wartime price policy is of the distribution of incentives between different sorts of produce; and in the latest changes a welcome attempt has been made to remove anomalies, notably in the case of milk.

The Disabled Persons Bill

The second reading of the Disabled Persons (Employment) Bill was due to take place on the fourth sitting day of this week. It may be regarded as the first piece of reconstruction legislation, for though there have been other measures, improving the position of the unemployed and old age pensioners, they have for the most part patched up existing social services, whereas this Bill breaks new ground. Moreover, it has a certain right to priority, for the disabled or battle casualties and air-raid casualties are already the most obvious cases in need of reconstruction after the war. Rightly, however, the Bill does not only cover war casualties. It includes within its scope all disabled persons, and a disabled person is defined as a person

who, on account of injury, disease, or congenital deformity, is substantially handicapped in obtaining or keeping employment, or in undertaking work on his own account, of a kind which . . . would be suited to his age, experience and qualifications.

The Bill follows closely the employment recommendations of the Tomlinson Committee. It makes provision for the vocational training and industrial rehabilitation of the disabled and for the registration of such persons; it places on employers with 25 or more employees an obligation to employ a quota of registered disabled; it appropriates vacancies in certain employments for persons so registered—a new schedule of reserved occupations; and it makes provision for assisting seriously disabled persons to obtain work under special conditions—under this heading would presumably come bad or chronic cases of tuberculosis, as well as the badly crippled. There are some—the Central Council for the

Care of Cripples among them—who disapprove of the registering of the disabled and the scheduling of certain occupations for them, because, they say, it emphasises a person's disability, whereas all action should concentrate on proving that a disabled person can become, as regards employment, perfectly normal again. This attitude is justifiable; it is very necessary to break down the suspicion of employers when faced with a disabled applicant for a job, and to abolish the idea that the best job for the disabled is as lift attendant. But it is a too strictly medical view. It ignores both the operation of workmen's compensation and the actual circumstances of the labour market at a time when employers can pick and choose their workers. It is very right and necessary that the medical aspect of rehabilitation should stress a disabled person's normality, and that the facilities should be there to restore him to normal working capacity. It is also essential that the workmen's compensation laws should be reformed. When these steps have been taken, the provisions of the new Bill may wither away. But, in the meantime, it will ensure that many, if not all, of the disabled will be trained for and secure proper employment. And in so doing it may well make its own contribution to breaking down the old reactionary attitude towards the disabled.

Secret Diplomacy?

One consequence of the latest spate of Allied conferences may do more harm than it deserves. The press has held a Protest Week. Complaints have stormed in from Cairo; they have flashed across the Atlantic. If all the world were comprehended in newspaper politics, the great Allies would by now be in the grips of a struggle more bitter than the war itself. The storm centre has been the Cairo and Teheran conferences, which have given rise to two different kinds of protest. The first concerns the actual handling of publicity at the meetings. It was decided in advance that, for security reasons, nothing should be known about them. The Egyptian and Turkish papers leaked a little, but most of mankind did not know that the Allied leaders were to meet first at Cairo and then at Teheran. Neither President Roosevelt nor Mr Churchill have any great affection for the press; they do not much like being bothered by journalists. They decided not to see anybody, and not to tell anything, and they left a flustered, if willing, official to deal with one of the most formidable packs of newshounds ever brought to bay together in a single place. Frustrated at every point, the pressmen, seventy strong, sent a collective protest to Mr Bracken and Mr Elmer Davis. The point raised is much more important than the wounded feelings of these particular correspondents. What is gained by the massive but ineffectual secrecy which surrounds the meetings of the great men? If security is vital, then no journalists should be admitted, no correspondents invited. If, on the other hand, publicity is held to be important, the press should be given the chance to report freely and fully. There is much to be said for the second method. It is a far cry from "open covenants openly arrived at" to the all-enveloping mystery of to-day, when the new leaders meet to decide the nations' fate; and right and complete reporting would do something to restore the people's contact with the Titans, who are, after all, responsible to them.

Press Hysteria

The protests about the handling of publicity at the Cairo and Teheran meetings were justified. The protests about leakages of information seem very much out of proportion. The offenders were Tass and Reuters. The Tass Agency has escaped lightly in the outcry. All the weight of press wrath has fallen, strangely, on the British authorities. The facts are simple. Reuters' correspondent in Lisbon picked up the story of the conference, and sent it through London for distribution abroad. By a formality, it is a fact that the British censors pass "news in transit" without censorship. The censor may have blundered, but there was no ill-intent. Then the storm broke. The British authorities were hotly attacked by the British press, who alone had not received the Reuter news, and by the American press, who felt that their readiness to hold the story had been exploited by "the British"—without attempting to specify—to secure a scoop. The temperature rose to such a pitch that Mr Elmer Davis, head of the American Office of War Information, protested to Mr Bracken that the "premature disclosure had seriously jeopardised Anglo-American relations." The

whole affair shows an astonishing sense of self-importance and lack of proportion in the newspaper world. If Anglo-American relations depended on nothing more than the good-will of temperamental journalists, then relations between the two countries might indeed be critical. Fortunately there are more solid foundations. American protests about leakages—Reuters is not an isolated example—nearly always overlook the fact that the scoops which slip through the British censor are more often than not secured by American journalists in Britain from American sources. If the British censorship were stricter, would there not be an equally violent protest in the opposite sense? The allegations made against British journalists by some of their American colleagues—that they are cheats and tricksters, and so forth—reflect most discreditably on the state of mind, and knowledge of facts, of some American newspapermen.

Colonial Research

The Colonial Research Committee has issued a progress report (Cmd. 6486). It will be recalled that the Colonial Development and Welfare Act of 1940 provided for expenditure of up to £500,000 a year on colonial research. This was vastly greater than earlier grants from the Imperial Exchequer, and, unlike the £5 million a year made available under the Act for development and welfare, which is to be limited to ten years, no term was fixed for the provision made for research. The statement of policy made before the Act was passed announced that it was intended to establish a committee to advise on colonial research, but it was not found possible to do so until June, 1942, when the present committee was appointed under the chairmanship of Lord Hailey. Its functions are to advise on the expenditure of the £500,000 a year provided by the Act and to advise upon and co-ordinate the whole range of research in the colonies, irrespective of the provision of funds. Its first report shows that its first function of recommending grants is sadly limited in wartime. Even where individual colonial research facilities have been maintained, it has not been possible to recommend their expansion, and in some cases they have been diverted from pure research to *ad hoc* wartime needs. Thus, since the committee was set up, grants for only ten research schemes have been made on its recommendation, amounting to a total value of only £47,250. To this must be added the grants made under the Act before the committee was established, which totalled some £56,658. Among the latter, the most important is the grant made for an organisation to conduct research into the utilisation of colonial products—the Colonial Products Research Council under the chairmanship of Lord Hankey, which, unlike the committee, is an executive body and organises research. It is also worth noting the small grant of £500 made to the Population Investigation Committee for the completion of a compilation of a demographic survey of the colonial empire—a much neglected but badly needed piece of research, which, it is hoped, will fill the large gaps that now exist in colonial vital statistics. The Research Committee has not yet been able to complete its survey of the problems and needs of colonial research as a whole, but it has done enough to convince it that

scientific facilities and terms of service must be improved, and new or additional methods of recruitment and organisation devised, if research is to play an effective part in colonial development.

In spite of its small beginnings, the committee is evidently thinking large and on the right lines.

Internal Combustion

One of the characteristics of reconstruction reports published by trade associations is their comprehensiveness. Most of them volunteer suggestions about high policy at home and in international relations. Few of them deal at all adequately with the problems of their own particular industries. The report of the Internal Combustion Engine Manufacturers' Association is one of the most ambitious yet issued—it consists of more than 80 closely printed pages. Like many other memoranda, it deals at length with general economic and political problems. Since nearly two-thirds of the output of the industry represented by the Association was exported before the war, its interest in problems of international relations and trade is scarcely surprising. It quotes at length from the "Network of World Trade"—a League of Nations publication—in support of a

return to a system of multilateral trade. It strongly advocates the reform of taxation insofar as it inhibits industrial enterprise and emphasises the importance of research. It urges the Government to exercise care in the disposal of its stocks of internal combustion engines after the war and suggests that they should be used to meet the needs of devastated countries, to provide for a war reserve, and to improve the training equipment at engineering schools and technical institutions. The balance might then be taken over by an organisation "representative of the Association's industry and the Government" to be disposed of by it

in the way best calculated to promote the national development and least likely to affect injuriously employment in the Association's industry.

The Association's anxiety about the disposal of Government stocks can be readily understood. But, while a policy that would result in the disposal of the industry's stock would be against the national interest, the disposal of surpluses can hardly be dictated by the interests of producers.

Shorter Notes

New draft regulations relating to supplementary pensions and unemployment assistance came before the House of Commons this week. They codify and simplify the existing regulations which, because of the frequent amendments, are very difficult for an applicant to understand. The main change is to present the new scales on an *ex-rent* basis; that is, they are sums for needs other than rent to which a reasonable rent allowance will be added. Secondly, winter allowances will be dropped, and appropriate adjustments made throughout the year to those who have to provide their own fuel and light. Thirdly, rural differentiation will cease. Fourthly, rates for women will be the same as those for men. Fifthly, there will be no distinction between the rate for a wife who is a pensioner and one who is not. Lastly, the rates for children have been improved. The effects of these changes on an individual pensioner cannot be stated in general terms, for they depend on individual circumstances as, for instance, whether he or she was in receipt of a winter allowance or not. But over the whole body of supplementary pensioners the standard will be raised, for the new regulations are estimated to cost the Exchequer an extra £7,250,000 a year.

In the debate on the Address, on Friday of last week, a statement of policy was made on Newfoundland. There is to be no change in the present form of government until after the end of the war in Europe, when, as soon as practicable, machinery will be provided "for enabling the Newfoundland people to examine the future of the island, and to express their considered views as to the form of government they desire, having regard to the financial and economic conditions prevailing at the time. . . . In the meantime, a vigorous attempt should be made to push on with the development of local government . . . as well as with general reconstruction plans. . . ."

During the debate on the pensions of retired state servants, the Chancellor of the Exchequer announced that legislation will be introduced in the near future to deal with their position, but he emphasised that attention must be concentrated on cases of real hardship.

In a Note entitled "Higher Milk Prices" on page 743 of *The Economist* on December 4th there appeared the statement: "In the case of wheat and rye, an increase in the average payment will be counterbalanced by a corresponding reduction in prices." The reference, obviously, was to the increase in the *acreage* payment.

In October a detention order was made under Regulation 18B against one person, a British subject of enemy origin. Ten persons were released, and on October 31st the total number detained was 355. Of this total, about 30, according to the Attorney-General's statement in the Mosley debate, are Fascists.

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.

Published:

- H.1. *How Britain is Governed*, by R. B. McCallum.
- H.2. *The Newspaper*, by Ivor Thomas, M.P.
- H.3. *The Transition from War to Peace*, by A. C. Pigou.
- H.4. *Britain's Future Population*, by R. F. Harrod.
- H.5. *Will the War Make us Poorer?* by M. Young and H. N. Bunbury.
- H.6. *English Law*, by J. L. Brierly.
- H.7. *British Trade Unions*, by Mary A. Hamilton.

Will be followed at short intervals by others on such subjects as The Civil Service, The British Political Parties, Education in Britain, Money, Agriculture, Britain's Foreign Trade, The Problem of Full Employment, The National Debt, and many others.

Oxford University Press

★ no need for WINTER COLDS

THERE is no longer any need to dread winter colds. They can be prevented by taking SEROCALCIN, the scientific immunising agent that gives complete freedom from colds in the majority of cases.

How it is done

SEROCALCIN acts by stimulating the natural defence powers of the body. It enhances the resistive capacity against invading organisms that cause colds. SEROCALCIN prevents a cold before it happens.

Simple and Safe

The immunising course consists of 60 SEROCALCIN tablets taken at the rate of two daily for thirty consecutive days. In 80 per cent. of cases this course gives immunity from colds for a period of 3 to 4 months. There are no "drugs" in SEROCALCIN—it is perfectly safe both for adults and children.

Proved by Tests

Scientific tests by Doctors in private practice, in Hospitals and in Factories have established the claims made for SEROCALCIN and confirm its ability to give successful results in 80% of cases.

Supplies and Prices

Hospitals, Schools, Munition Factories and export trade have first claim on supplies, but most Chemists have adequate stocks. The immunising course of SEROCALCIN (Reg. Trade Mark) costs 8/5d. including tax. Industrial and School Medical Officers, Nurses, welfare workers, Labour Officers and interested members of the public are invited to write for a booklet "Immunity from Colds" which will be sent on receipt of 1d. stamp (to comply with official requirements).

For existing colds, too

If you already have a cold, SEROCALCIN will probably clear it up in 48 to 72 hours. The dose for this purpose is three tablets three times daily, and a small treatment pack of 20 Tablets (price 3/4d. inc. tax) is available.

SEROCALCIN PREVENTS COLDS
Harwoods Laboratories Limited, Rickmansworth Road, Watford, Herts.

Studies in Economic Dynamics

M. KALECKI

Author of *Essays in the Theory of Economic Fluctuations*

These five interconnected essays (Costs and Prices—The Short-Term and the Long-Term Rate of Interest—A Theory of Profits—The "Pure" Business Cycle—The Trend) present the results of further research into the subjects which the author discussed in his *Essays in the Theory of Economic Fluctuations*. This inquiry also includes a discussion of the influence of the increase of population and technical progress upon the economic development of a capitalist economy. 5s. net.

Iron and Steel in Britain

T. H. BURNHAM and
G. O. HOSKINS

"The position of Britain in the world iron and steel industry changed from one of unquestioned predominance to the fourth in rank both in production and exports." In order to discover the factors which were responsible for this, the book examines the history of the industry between 1870 and 1930 and throws a spotlight on these critical decades. T. H. Burnham is well known as the author of the book *Engineering Economics*, which since 1927 has been widely used, and in the authorship of which G. O. Hoskins is now associated. With Text Diagrams, 25s. net.

George Allen & Unwin Ltd
40, Museum Street, London, W.C.1

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

AMERICAN SURVEY

Industrial Incentive—Two Models

(From a Correspondent in Ohio)

Cleveland, October 23rd

If travel were easy, two Cleveland concerns would be receiving more visitors from this and other countries to-day than the old showplace near Detroit, Ford Motors. About as many newspaper and magazine articles are written about them concurrently as all other Ohio manufacturing concerns put together. They are Jack and Heintz, Incorporated, and the Lincoln Electric Company.

Jack and Heintz is the closely-owned company founded about three years ago by William S. ("Bill") Jack, of Cleveland, and Ralph Heintz, of California, to make aircraft accessories. Built up rapidly to more than 7,500 employees in five suburban works, it attracted national publicity first for the high bonuses paid to executives, and then for the high earnings of all the men and women employed there, even the sweepers averaging more than \$100 a week.

Lincoln Electric, maker of electric-welding equipment and welding rods, is smaller but much older; it has become notable for a bonus system which for several years has been paying annually to employees as much money as they earned in wages. Nearly all factory workmen there have incomes upward of \$4,000 a year. But what put Lincoln's name into every newspaper lately was the resistance of its president, James F. Lincoln, to the demand of the Navy Price Adjustment Board to return \$3,250,000 of the company's 1942 profits of nearly \$5,000,000 under the recapture procedure which this and several other Boards have been carrying on. He has recently defied the Board to collect, but has until the end of October to present further evidence. The Board is prepared if necessary to stop payments to the company, as well as further orders.

Rewards and Profits

Jack and Heintz and Lincoln Electric share the regional leadership in rewards to their entire complements of factory workers, although a number of skilled workmen in other concerns make more than the average men in these two companies' employ—earnings of \$200 a week, for example, are not unknown in such crafts as boring-mill operation, if a man works many hours overtime. But though the wages bills of these two companies, in proportion to numbers on the pay-rolls, both exceed those of all other employers here, and though both of them obtain very high production per man and make large profits, their policies might be said to lie at opposite poles within the frame of industrial success.

Jack and Heintz's efficiency can be measured against that of other manufacturers making the same new product; their ability to bring down costs more rapidly than older contractors in the same field led the Services to ask them to take on the difficult production of the automatic pilot. To Heintz, a mechanical genius, is said to go much of the credit for recent production short-cuts.

The enormous savings of mass production of what had once been hand work were first divided three ways—in price reductions, in bonuses to executives, and in benefits of every sort to employees. The bonuses had to be given up, but the US Treasury has permitted the company to charge to production costs the expenses of meals in the plant, banquets, music piped continuously through the factory, life insurance, dentistry, surgery, two-week vacations (in Florida until travel restrictions cut them off), steam baths and rubdowns, all without charge. Only the free vitamin pills intended to prevent colds (\$25,000 worth) were disallowed. Jack is the son of poor Scottish and Canadian immigrants and says he decided to treat his "associates" the way he wanted to be treated when he toiled at a machine.

Hard Work

The hourly wages paid are at approximately the going rates of the community; the workers' high earnings are due to the fact that they normally work 84 hours a week on two seven-day shifts. No little of their spirit is due to their feeling they are people of superior stamina.

As the plants developed the lure of the large wages from premium overtime drew men and women from every large establishment in Cleveland, with perhaps the sole exception of Lincoln Electric. A waiting list exceeding 20,000 was built up. Because employees must be on the job for longer than the business day, the plants maintain a large department to handle for them the "red tape" of daily life, such as tax returns, automobile and other licences, house rentals and purchases and rationing.

"Bill" Jack talks daily over the plants' loud-speaker systems in that voice of magic quality which once, when he was business agent of the Machinists' Union many years ago, called out on strike the employees of the city's largest machine-tool works. At that time he merely stood on the pavement and shouted into the windows. To-day all his employers must belong to this union.

Jack has no piece-work in the plant. He relies solely on the collective spirit of the men and women to reduce absenteeism, tardiness and slackness of work, and even the sceptics, of which Cleveland had many, now concede that Jack "has something on the ball." Employers from as far as the Pacific coast have sent men to Cleveland to study his unique methods. Technical journalists visit the enterprise to inquire if it's "Factory or free-for-all," "insane management or common sense."

Lincoln Electric has the same collective spirit among the workpeople, but without the daily evangelism. J. F. Lincoln, a far colder personality than Jack, preaches "intelligent selfishness" and opposition to unions, has no organisation in his plant, makes no labour agreements, and writes pamphlets in the economics of the pure Manchester or Herbert Spencer school. Competitors in the welding field admit his price-cutting methods have led to lowering the cost of the welder to one-seventh of what it was 25 years ago, and the welding rod to one-third in the same period, with the result that the company has made large profits, even after paying the workmen double what they normally make for the same employment elsewhere. Their working week is only about half that of Jack and Heintz, Lincoln holding that they cannot be at top efficiency for much more than 40 to 45 hours a week. The US Treasury has recently decided to disallow the annual bonuses as deductions from profits, on the ground that ordinary workmen should not be worth \$5,000 a year. Lincoln replies that the enthusiastic and confident spirit obtained by paying an entire force high wages yields a collective efficiency which is reflected in low prices and public benefit.

Jack and Heintz profits were \$1,776,000 in 1942, of which Jack sought to retain \$961,000, but he was renegotiated down to \$156,000. Lincoln, upon being told to return over \$3,000,000 out of the \$5,000,000 he made on \$34 million of business, stormed before the House Ways and Means Committee in Washington, demanded Congressional inquiry into renegotiation of contracts, and announced he wouldn't pay. Apparently his voice will be effective, with that of others, in obtaining changes in detail in the recapture legislation, but not in its repeal. He is now making speeches about "dictatorship" and giving out numerous statements. Senate Clevelanders have enjoyed Jack's arguments with other employers over the "theft" of labour and Lincoln's ruckus with the Government, but some are inclined to be thankful that the city has only a few industrialists of similar innovating and disturbing energy.

American Notes

Subsidy Strategy

The Administration, which seemed to be playing for time on the subsidy issue, has abandoned this tack. Marvin Jones, War Food Administrator, has admitted that delay would not improve the Administration's chances, and would merely bog down the food programme. It is not yet clear whether this change is due to the opposition's refusal to agree to the proposed 60-day postponement, or whether the Administration has either succeeded—or realised that it cannot succeed—in healing the split in the Democratic party on this issue. Some compromise proposals have been put forward, like that of Senator Ellender, who suggested limited subsidies on condition that the "little steel" wage formula was maintained. But the opposition pressure has not slackened. The Senate Agriculture Committee has approved a bill banning subsidies for milk-feed, amounting to \$200 million, and requiring instead an immediate one cent a quart rise in the price of milk. The National Council of Farmer Co-operatives has proposed wage subsidies in four key industries as a substitute for food subsidies. The United Steel Workers have announced their intention of reopening their contracts to secure a 17 cent an hour increase in their basic wage. The Senate Finance Committee shows no signs of increasing taxes beyond those of the House Bill. In view of accusations that the food programme has kept domestic supplies below what they might have been in a free market, the announcement of an increase in the meat ration is good politics. It will amount to about 30 per cent more in December, and is possible because of heavier slaughterings this autumn owing to the scarcity of feed—a case of jam to-day but not to-morrow. But the prospects of maintaining an effective and integrated anti-inflation front remain dim.

Down on the Farm

The impact of the war on farm living standards is the subject of a recent study by the Department of Agriculture. President Roosevelt, in his Message on Food Subsidies, pointed out that the income of farm operators has not only increased rapidly in the war years but has risen more than the average income of other groups in the population. Cash income is higher than ever before. In 1941 half the families operating farms received less than \$760 cash income from all sources. In 1942 the corresponding mid-point was \$1,320, and in 1943 it may reach \$1,500. Distribution is less unequal, although it is still true that the upper 10 per cent of farm families received 37 per cent of farm income, and the lower 10 per cent less than 1 per cent. In part this increase is offset by higher prices and increased taxes, which are being paid for the first time. The average expenditures of a farm family on the same pattern of living are estimated to have increased from \$823 in 1941 to \$981 in June, 1943. Nevertheless, as income went up faster than retail prices, the lower-income farmers were able to increase their consumption. Rationing did not prevent this, as they had never before been able to afford even the ration. Those in the higher

income groups may be just maintaining their standards, or even cutting them down as a result of restrictions, rationing and taxes. There remains, however, a substantial amount of cash in the farmer's hands. Some of this is being used to reduce debt. Farm mortgage debt declined in 1941 by 1.6 per cent, in 1942 by 5.4 per cent, and in 1943 by about 10 per cent. More homes are being bought and paid for in cash. Nevertheless, black spots remain, and in some cases have grown. The farm home, always notorious for its lack of amenities, has gone without repairs, partly because the farmer was too busy, partly because of materials restrictions. The provision of medical care, always at its worst in rural areas, has suffered disproportionately by the calling up of doctors and nurses. Rural education, with its poor salaries, has been denuded of teachers who have been called up or gone into better-paying occupations. Restrictions on transport, particularly petrol rationing, have further reduced the meagre opportunities for recreation which are available. Farmers are still ineligible for the most important benefits of the social security programme. Plainly after the war there will be scope and need for vast improvement in rural standards of living as regards education, group medicine, dentistry and hospitalisation, home amenities, and recreation. It is also easy to see why the farmer, with more cash, but in many cases seriously impaired living standards, and fewer opportunities to spend his money than non-rural workers, suffers from a sense of injustice and is inclined to return to the Republican fold.

The Soldier's Vote

The authority of the states over election procedure was upheld this week when the Senate set aside a Bill providing for a simple Federal war ballot for absentee Service men, members of the Merchant Marine, and some civilians serving abroad. Instead, by a vote of 42-37 a Bill was passed merely recommending the states to pass enabling legislation. Most states—46 out of 48—already have statutes on their books permitting Service men stationed in other parts of the United States to vote, but these do not apply to men serving abroad. In view of the crucial importance of next year's Presidential election, and the growing numbers of men overseas, the concern of both parties over the procedure to be adopted is increasingly lively. Under the American electoral system, the vote for Federal offices is not cast directly, but for the delegation of each state to the electoral college. A majority of hundreds may secure the whole state vote at the electoral college for the successful party. Thus a small number of votes may swing several key states and decide the issue. A recent Gallup poll gives some support to the Democrats' contention that in past elections they have suffered disproportionately from the disfranchisement of Service men. On the floor of the Senate support for the simple and efficient Federal supervision of absentee voting was withdrawn when the opposition threatened a series of court cases contesting the results of such elections on constitutional grounds. But despite the rallying cry of the constitution and states' rights, the debate was not purely a matter of academic principle. Unless the states waive their rights, the maintenance of state authority



BANKERS TRUST COMPANY

INCORPORATED WITH LIMITED LIABILITY IN U.S.A.

HEAD OFFICE — NEW YORK
SIXTEEN WALL STREET

LONDON OFFICE — 26 OLD BROAD STREET, E.C.2

ALSO
BANKERS TRUSTEE AND EXECUTOR COMPANY LIMITED

would mean the export of such contrivances as the poll tax, which in a number of Southern states disfranchises many poor whites and most negroes.

Suckers and Scruples

The bitterness of the American press over its chance to publish the product of Reuter's "spontaneous enterprise" (on the details of the Allied conference in Cairo) can hardly be exaggerated. For a moment it seemed as though the bungling of the publicity end would receive almost as much attention as the conference itself. It was inevitable that a fair share of the criticism should have been directed at Mr Davis and the Office of War Information, and this may account for the heat of Mr Davis's reproaches. There has been rather less attention than might have been expected to the failure of the liaison between the publicity agencies of the two Governments. Roughly the critics may be divided into two groups: those who never took the security arrangements very seriously, and feel the United States ought to take its "defeat" with a good grace, and be more nimble-witted next time; and those who were proudly conscious of co-operating by not publishing the story and now feel they have been badly let down—which, as a Note of the Week on another page suggests, is a travesty of what actually happened. It is among the latter that the main damage has been done. The recurrent belief that Uncle Sam is a sucker in international affairs, and incapable of holding his own with slick foreign politicians, has never died out. It was revived by the five Senators, and has now been tremendously reinforced. There is a natural, if unfortunate, desire to show that the Americans too know

how to act tough. There has been a stimulus, as well, to the belief that in international communications—cable, and wireless—the United States should be increasingly independent of other nations.

Unregenerate Kansan

Mr Hull's suggestion of a common foreign policy plank for both parties has evoked violent disagreement from Mr Landon, who disapproves not only of any entangling alliances, but of the Moscow pact. Mr Landon is not a believer in "One World" or its proponent, Mr Willkie. It is believed that his statement is proof that the anti-Willkie movement is getting into high gear. Mr Landon, unsuccessful Republican candidate in 1936, is, perhaps, more important as a portent than a prophet. Both by natural inclination and careful study he represents what the average Middle-Western Republican, of conservative cast, is thinking, as well as the Old Guard of the party. Isolationism is not dead if Landon is once more its mouth-piece, or if a substantial section of the party is willing to challenge the achievements of the President in foreign policy. The threat, it is true, is much reduced. Mr Willkie has agreed that if Landon's views represent those of the party machine, he will not be its candidate. There is no doubt that many Republicans would approve his decision that a retreat from the cautious commitments of Mackinac would cost the party dearly in terms of votes. After the last war the desire to preserve the unity of the party led Republican supporters of the League to go along with Harding. But the lesson of the last twenty years makes it unlikely that such a sacrifice could be exacted again from the progressive wing. Mr Landon may succeed in stopping Willkie but at the risk of splitting his own party in two.

THE WORLD OVERSEAS

The Relief Resolutions

THE United Nations Relief and Rehabilitation Administration's conference at Atlantic City ended on December 1st. The conference has done much preparatory work. But it is still hard to get any precise idea of some of the decisions adopted or of the course of the preceding discussions. All that is available is a ridiculously chaotic medley of resolutions, fragmentary reports and contradictory statements issued by the Inter-Allied Information Committee. A more comprehensive and complete report should be issued at once. Public interest in relief and rehabilitation is too great for this confusion to be permitted.

The major issues before UNRRA have been discussed in two previous issues of *The Economist*. It is now possible with some ingenuity and imagination to sum up the decisions made and to make clear a few of the points that have given rise to criticisms.

In one vital respect the work of the Conference has been very useful. It has dispelled exaggerated and over-optimistic expectations. The report on post-war requirements of the earlier Inter-Allied Committee rested, to some extent, on such false hopes. The report estimated that nearly 46 million metric tons of supplies and 23.5 million tons of shipping would be required for shipment to Europe

during the first half year after the war. The longest list of requirements was drawn up for France—nearly 7.5 million tons, including 1.4 million tons of petroleum and petroleum products and 292,000 tons of wine. In food-stuffs, Poland's needs are the greatest—1.7 million tons. The overall figures for other countries in this list were: Belgium-Luxemburg, 3 million tons; Czechoslovakia, 1.8 million tons; Greece, 1.7 million tons; Netherlands, nearly 3 million tons; Norway, 1.8; and Yugoslavia, 1.1 million tons. In his report to the Council of UNRRA Sir Frederick Leith-Ross explained that these estimates "were only a target." New and reduced estimates have now apparently to be made, which will have to reckon with the very high needs of Russia, so far not even tentatively calculated. According to the report of the sub-committee "on procedures for ascertaining and meeting deficits in supplies requiring importation" the revised estimates will be based on regional standards of pre-war consumption; and from these figures a proportion will be deducted to take account of the overriding current shortages.

Contrary to some reports, the Conference has not entirely dropped "the second R" from its name. Something called rehabilitation remains, but a distinction has been made between rehabilitation and reconstruction. What is envisaged is not merely immediate relief, but also some assistance in putting some industries to work. The principle seems to be that such assistance should be confined to production of consumers' goods in existing establishments. "No new construction work is within UNRRA'S scope"—as the report of one of the sub-committees says. Raw materials, machinery, machine tools and spare parts will, however, be supplied; and even the restoration of local coal and mineral mines by UNRRA has been promised. For agriculture UNRRA "should concentrate on the first crop year after liberation." The agricultural sub-committee speaks with marked optimism about agriculture in the non-devastated areas as a "going concern." It recommends the continuation of war production policy; the expansion of fisheries and whaling industry in view of the shortage of animal protein fats and vitamins; and priorities for imports of dairy cattle feeding stuffs over others.

The sovereignty of the Governments of liberated countries has been accepted as the principle in distribution.

Most of the Governments concerned are confident that the necessary agencies for distribution will be in working order, which may or may not be true. The immediate exercise of national sovereignty by the recognised Government in each of the liberated countries is, however, not taken for granted.

In the case of a liberated territory [says the report on the scope of UNRRA's activities] in which a government or recognised national authority does not yet exercise administrative authority, UNRRA will operate from such a time and for such purposes as may be agreed upon between the military command and the administration, and subject to such control as the military command may find necessary. The administration shall, as far as circumstances permit, seek the advice of the national government or recognised national authority concerned.

Methods of distribution have been only very sketchily defined. From the available reports and resolutions it is not clear, for instance, to what extent supplies from UNRRA will be distributed on the basis of charity and to what extent through commercial channels. The report on distribution policies speaks of

measures to ensure that in so far as the distribution . . . is done through private trade, the remuneration earned by private traders for their services is not more than is fair and reasonable.

The general principle is that

distribution should be so conducted that all classes of the population, irrespective of their purchasing power, shall receive their equitable shares of essential commodities. When supplies are sold to consumers, prices should be set at such levels as to facilitate the flow of supplies into the proper hands.

Effective rationing and price controls are recommended with much emphasis:

The suppression of black markets should not be left to general pronouncements and decrees, but should be the subject of active measures of enforcement applied vigorously and unrelentingly.

Finally, the important provision is made that "at no time should relief be used as a political weapon" and that "no discrimination should be made in the distribution . . . because of race, creed, or political belief"—provisions which, if they are not to remain mere lip-service, would call for very scrupulous surveillance of the distribution by impartial UNRRA authorities. Unfortunately, the principle of a hundred per cent sovereignty may in some circumstances rob these provisions of much of their practical meaning.

Financing Relief

The financial proposals provide for contributions by the non-occupied countries to the amount of one per cent of their national incomes during the year ended June 30, 1943. This is to be not an annual contribution, but the basic share of the countries concerned "for UNRRA's entire term of operation." The recommendation is, of course, subject to approval by the constitutional bodies of each country. Not less than ten per cent of the contribution is to be paid out in currency which can be spent outside the paying country; the rest in credit in local currency to cover internal purchases. Contributions will also be accepted from private sources. Advances made by a member country to cover the administrative costs of UNRRA

may be deducted from the country's basic contribution. On the other hand, the recipient countries' ability to pay for supplies will be estimated by the Director-General (or by the Council in case of disagreement). Finally, member-Governments will be asked to waive export taxes on UNRRA supplies.

The estimate of the purely administrative budget of UNRRA itself, not the cost of relief, is £2,500,000 for the rest of 1943 and for 1944. Of this total, forty per cent is to be covered by the USA; and fifteen per cent each by Great Britain and the USSR. China would pay five per cent; France and India four per cent each; and Canada three per cent.

Inflation in Eire?

[FROM OUR DUBLIN CORRESPONDENT]

November 22nd

In popular discussion about the economic effects of the war on Eire, the word "inflation" is bandied about a great deal without much inquiry into its precise meaning. It is interesting to investigate to what extent inflation has taken place. Many inflationary symptoms are to be observed. The cost of living has risen by 64 per cent since 1939, the monetary circulation has increased from £18 million to £32 million and bank deposits from £119 million to £162 million. The purchasing power of the Irish pound has unquestionably been reduced, and the amount of money has been increased. It does not, however, necessarily follow that the Irish economic system is suffering from inflation. An increase in prices and an increase in the volume of money are not in themselves inflationary. The question that has to be answered is whether the impulses generating these conditions came "from the side of money" or "from the side of things."

Inflation is the consequence of an increase in the money income of a community not matched by a corresponding increase in the output of consumers' goods. The national income of Eire in 1939 was about £160 million. It is estimated that in the present year it is about £200 million, an increase of 25 per cent. The greater part of this increase is accounted for by the increase in the net agricultural output, which rose from about £55 million to about £85 million. Farmers are notoriously savers, and a considerable proportion of their increased incomes is withheld from consumption. Wage rates have risen by 15-20 per cent, but emigration has caused a reduction in the numbers employed. There has been no vast expansion of working class incomes such as has taken place in Great Britain. The Government has paid for its expenditure by taxation or by borrowing the real savings of the people. In 1942, the deposits in the Post Office Savings Bank and savings certificates increased by nearly £4,000,000. The Exchequer has not borrowed from either the Central Bank or the commercial banks. One definitely inflationary element is the income entering the country as remittances from emigrants and as expenditure by tourists from Northern Ireland. This is estimated at £10 million in 1943. In so far as this income is not saved, it is an inflationary influence. It is, in fact, an inflow into Eire of the British

CANADA

In your post-war planning consider the opportunities presented by Canada's vast resources and her high industrial potential.

Enquiries welcomed by

BANK OF MONTREAL

Main London Office:
47, THREADNEEDLE STREET, E.C.2

Assets Exceed \$1,250,000,000
Incorporated in Canada in 1817 with Limited Liability

THE LONDON QUARTERLY OF WORLD AFFAIRS

(Formerly the New Commonwealth Quarterly)

Published for
THE LONDON INSTITUTE OF WORLD AFFAIRS

President: Dr. A. D. LINDSAY
Principal: Professor G. W. KEETON
Editor: Dr. GEORG SCHWARZENBERGER

The current number contains the following contributions:

BANKING REFORM	By Sir Reginald Rowe
POST-WAR RELIEF	By B. Bracey, O.B.E.
EDUCATION IN TRANSITION	By Mr. J. H. Doughty
ENGINEERING AND DEMOCRACY	By Professor R. O. Kapp
FEDERALISM IN THE U.S.S.R.	By Dr. R. Schlesinger
PLANNING POST-WAR AMERICA	By Mr. G. Brand
BOOK REVIEWS	

Single copies, 4s.
(Post free, 4s. 3d.)

Annual Subscription, 15s.
(Post free.)

Published
by **BASIL BLACKWELL** - - - **OXFORD**

Important Notice to our Sherry Customers

FINDLATER'S FINE, well-known to Sherry drinkers all over the World, will in future be known as

FINDLATER'S DRY FLY SHERRY

The reason: Findlater's Fine cannot be registered and protected from imitations under that name. FINDLATER'S DRY FLY is registered, ensuring protection for our customers throughout the World.

FINDLATER, MACKIE TODD & CO. LTD.
Wine Merchants to H.M. the King 92 Wigmore Street, W.1



inflationary tide. The effect of this income should not, however, be exaggerated. It amounts to only about 5 per cent of the national income of Eire, and a substantial part of it is known to be saved by the recipients.

The increase in the cost of living is the result of increased prices of agricultural products and imports. The agricultural price index has risen by 76 per cent since 1939. Prices of many farm products have been raised by the Government in order to stimulate the production of essential food, but, in the opinion of many people, the increases have been excessive. Increased prices in the export market have necessarily been reflected in the home market. The import price index has risen by 115 per cent, but the volume of imports has fallen by two-thirds. Heroic attempts have been made to control prices, profits and wages, but the forces pressing upwards are very strong and the control has not been completely successful. Subsidies amounting to about £4,000,000 a year are being given to assist in keeping down the cost of living, but the capacity of subsidising is limited by the restricted field for additional taxation. There is no rich class in Eire to bear the taxes necessary for an extensive policy of subsidies on food.

The increase in the monetary circulation reflects the higher agricultural prices, together with a tendency to hold additional reserves of cash in a period of uncertainty. The increase in the Irish banks' charges to their customers has led to a certain substitution of cash for cheque payments. The expansion of deposits is the result of the lack of profitable investment opportunities. Loans and advances have been reduced, and the diminution in private borrowing has not been offset by any increase in public borrowing. In Great Britain, the expansion of deposits reflects the vast Government borrowing from the banks; in Eire, it signals idle money and the growth of savings. The general conclusion that can be reached is that the inflationary symptoms in the Irish price and monetary statistics do not indicate an inflationary condition in the economic system. The upward impulses have been on the side of things rather than on the side of money. If the war were at an end, agricultural prices and import prices would begin to move down and the cost of living would be automatically reduced. If wages were allowed to rise, their reduction would not be automatic and might give rise to considerable difficulty. It is therefore very important that the policy of holding down wage rates should be consistently pursued.

Latin American Coffee

[BY A CORRESPONDENT]

November 23rd

DURING the past four months, the position of Latin American coffee has entered a new phase. The surplus problem of the area, which supplies over nine-tenths of the world's coffee, has given way to a comparatively tight supply position. This may become serious if the course of the war allows the resumption of coffee shipments to Europe on any scale in the next few months. The position is not unlike that at the end of the last war, when a serious Brazilian crop failure caused an international coffee shortage. The resulting scramble for supplies stimulated production to such an extent that at no time during the interwar period did the world coffee market become normal again.

In the years preceding this war, the world coffee crop fluctuated between 32 million and 36.4 million bags of 60 kilos each per season, of which Brazil supplied between 60 and 70 per cent. World deliveries never exceeded 27 million bags in a single season, and of this total some two-fifths was taken up by the European Continent. The blockade thus caused a serious shrinkage of consuming markets, and the Latin American producers, for most of whom coffee is by far the most important export commodity, were severely hit. In October, 1940, the United States Government came to the rescue. It encouraged the conclusion of the Pan-American coffee agreement, which accorded each of the Latin American producing areas fixed import quotas in the United States and the rest of the world. For the duration of the war, the quotas for countries outside the United States were only of theoretical interest, but as the United States import quotas were fairly large, they helped the Latin American producers over their worst difficulties.

This scheme worked well in its first year. In the 1940-41 season, the United States consumed 16.4 million bags of coffee and arrivals of coffee in US ports even reached

17.65 million bags, both of them record figures. The situation, however, changed in the following season, when the shipping shortage reduced US domestic deliveries by 4 million bags and port arrivals by 6 million bags. In the first half of the 1942-43 season, the outlook became even worse. The smallness of the shipping space available for coffee resulted in a big reduction in United States stocks, with the result that coffee rationing was introduced in the United States in November, 1942. Since the beginning of this year, however, the tide has turned again. More shipping became available, and it was chiefly used to convey coffee from the producing countries in Central America and the northern part of South America to the United States. In the 1942-43 season, which ended on June 30 last, coffee arrivals in the United States showed a considerable improvement on the year. The total quantity imported amounted to 12.99 million bags, against 11.71 million bags in 1941-42. Whereas, however, US arrivals from non-Brazilian sources rose from 4.61 million bags in 1941-42 to 8.72 million bags in 1942-43, those of Brazilian coffee declined from 7.09 to 4.27 million bags. Both the revival of shipments and the rationing of consumption restored the statistical position in the United States sufficiently to enable the Government to revoke the coffee rationing order from the end of July.

As a result of this revocation, the United States will have to continue to import coffee on a larger scale. There are, indeed, reports that the increasing imports, combined with the fact that the coffee ships arriving from Latin America now carry between three and five times the normal pre-war quantities of coffee, are causing considerable storage difficulties in US ports. As the heavy imports last year from non-Brazilian sources have largely absorbed the surpluses of the smaller Latin American producing countries, the bulk of future imports will have to come from Brazil.

Brazil's Supplies

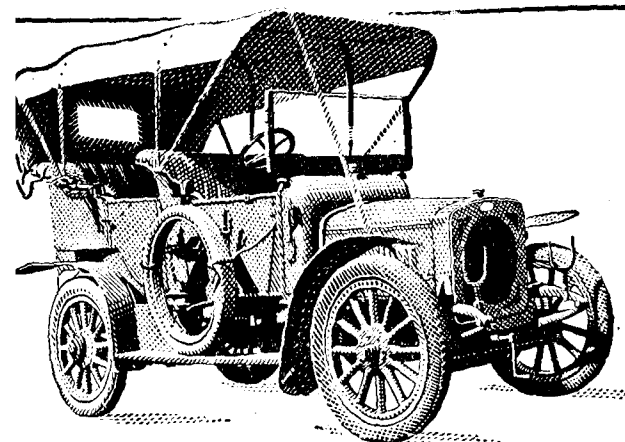
Brazil, however, which for more than two decades had suffered from very heavy coffee surpluses, is this year for the first time faced with a somewhat tight supply position. The country's coffee crop fell, owing to heavy frost damage, to 12.79 million bags in 1941-42, and showed only a moderate recovery last season. In September, 1943, frosts again played havoc with the growing crop, and, although latest reports speak of smaller damage than was at first expected, the quantity available in Brazil from new production this season will hardly be in excess of 13 million bags. There are in addition some 7.90 million bags from former crops, but the great bulk of this total supply is covered by the current year's quota and the quota arrears under the Pan-American coffee agreement. After the fulfilment of these obligations and the execution of current orders from countries outside the United States, Brazil will have little coffee left to meet a possible demand from Europe.

As a result the President of Brazil has already signed a decree abolishing, for the first time since the introduction of the present control policy in 1931, the "sacrifice quota" for the current crop, which earlier this season had been fixed at 15 per cent of the output. This move will assure the fulfilment of current contract obligations, but it cannot solve the problems that a resumption of regular imports into Europe would create. If a free market in coffee were resumed under current supply conditions, prices would once again be forced to high levels, with all their inherent dangers. On the other hand, a wise international distribution and allocation system, under which competition between the individual buying countries would be eliminated, could assure sufficient supplies everywhere until the trees have recovered from the frost damage of the past three seasons. The present position of Latin American coffee thus offers a good opportunity to restore, for the first time for two decades, a sound equilibrium of the world coffee market. But if this opportunity is missed, it can, as after the last war, prove once again the beginning of a long-term disruption of normal trading.

West African Cocoa—A Correction

In the article on West African Cocoa, which appeared in *The Economist* on November 20 (page 680), it was stated that the buying price to producers had been reduced from 7s. 6d. to 7s. a load in the 1943-44 season. This statement was based on official information, but it now appears that the writer was misinformed and that the current season's price is again 7s. 6d. Moreover, it is payable at all buying centres on the railway, not only at ports of shipment, which means that the up-country producers do not have to bear the cost of transport to port.

THE PASSAGE OF THE YEARS



THERE was a time when this 15-h.p. Singer was the very latest thing in horseless carriages and an object of some considerable pride to her owner. That was in 1907. For the next thirty years we must assume that her life was

both active and useful, for it is not until 1938 (when you might have thought her life had ended) that we hear of her next. Not as a prized museum exhibit but bowling along the high roads at over 30 m.p.h. to win at rallies and gymkhanas!

NOW WHAT IS IT ABOUT THE SINGER? Why is it so many people who bought a Singer once, insisted that each subsequent car must also be a Singer? Perhaps the secret is that the same skill which made that Singer of 1907 such a champion is put into every car we ever make.

SINGER

Manufacturers of Automobiles for nearly half a century

SINGER MOTORS LIMITED · COVENTRY AND BIRMINGHAM

More NEWS of No. 4 WHITE HORSE

Safeguarding the quality

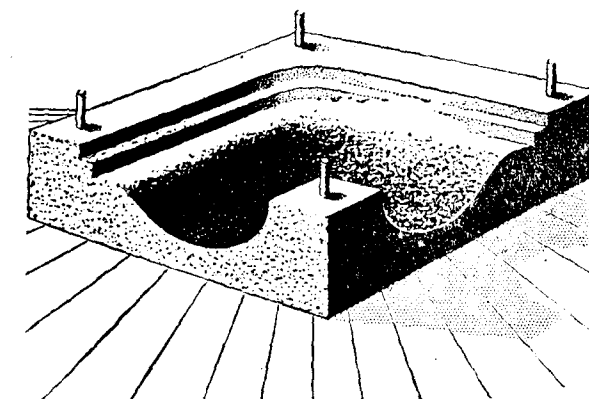
Like many other good things, White Horse Whisky is not so easy to obtain as it was, and more people than ever are anxious for a share of the regulated supplies that are available.

But rarity lends an added charm. We enjoy good things even more when we get them only now and then. And how good is an occasional glass of White Horse Whisky in this fifth year of war. A whisky of rich fragrance, and full, round flavour, of rare delicacy and bouquet. A whisky in which all the qualities of great age are crowned by a genial, heartening glow with never a trace of fire.

Forethought and a provident care of stocks laid down in years of plenty have provided a modest supply for your pleasure to-day. But the supply is regulated. Regulated to ensure that, to-day and always, White Horse shall be the whisky 'fine as a fine liqueur.'

MAXIMUM PRICES: Bottles 25/9, Half Bottles 13/6

THE DIE IS CAST

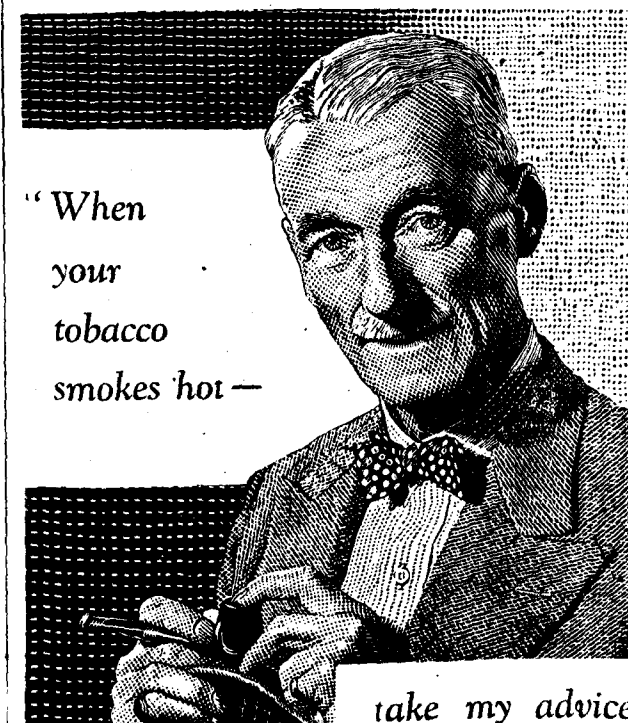


SANKEY-SHELDON engineers and designers are planning the new steel furniture and equipment for your post-war office and home. It will reflect the modern ideals of efficiency with its smooth-running drawers and close-fitting doors, its adaptable and adjustable shelving and standardised steel partitions. Only the die-pressed precision of steel can give the accuracy and permanence required. But Sankey-Sheldon Steel Furniture will be as pleasing to the eye as it is efficient. New colours and coverings will enhance the beauty of its functional designs.

SANKEY-SHELDON STEEL FURNITURE & EQUIPMENT

Also Harris & Sheldon Ltd. Makers of Shops

Chief Office: 46 Cannon Street, London, EC4



"When your tobacco smokes hot—

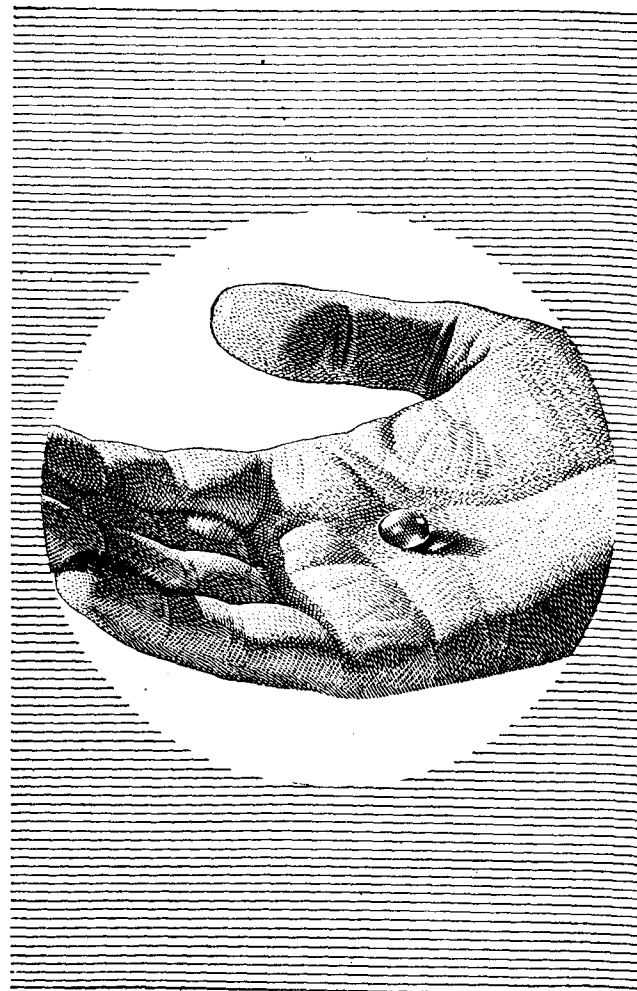
take my advice and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100th YEAR



AN ESSENTIAL OF WARTIME DIET

Stored in this tiny capsule are two vitamins without which it is impossible to maintain health. They are 'protective' vitamin A and 'sunshine' vitamin D and, unfortunately, they are not always readily obtainable in a wartime diet.

A daily dose of Crookes' Halibut Oil—one of the richest natural sources of these vitamins—will build up your resistance and stamina and prove of inestimable value during this fifth winter of war.

CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES—PER BOTTLE OF 100—8/6

LIQUID—PER PHIAL—ENOUGH FOR 16 DAYS 2/-

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 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 Lighting Advisory Service.

MAZDA

LIGHTING ADVISORY SERVICE



THE BRITISH THOMSON-HOUSTON CO., LTD., Crown House, Aldwych, LONDON W.C.2. Telephone: Tem. Bar 8040

M. 3172

THE BUSINESS WORLD

Official Statistics

LACK of knowledge about the facts of economic life has been a most important deterrent to economic and social progress. It is the cause of many misconceptions and mistaken policies. Probably it can be traced, very largely, to the nineteenth century attitude of *laissez faire*. Individuals and institutions have, of course, tried hard to remedy the deficiency; and, sometimes by accident rather than purpose, but with increasing deliberation as the field of public administration has widened, Government Departments have added steadily to the stock of facts and figures, especially since the last war. But, on the whole, the prevailing indifference to economic data has stood in striking contrast to the progress made in scientific knowledge and business administration.

Accurate facts about Britain's economic make-up in the form of significant statistics are indispensable to the proper functioning of democratic organisations. Positively, their publication spreads accurate knowledge about economic and social defects and stimulates the demand for reforms. Unemployment statistics did much in the inter-war years to make the country aware of the evils of mass idleness. Figures of road accidents have done much to promote safety measures. Figures of the trend of the population have done much to make people realise the gravity of this problem for the future. And statistics have a second, more negative, function. If politics is the art of the possible, measure-statistics show what is possible and what is not. Measure-statistics show the national income, for example, shows that the only way to secure a substantial increase in average incomes is to increase the total; the elimination of the remaining rich will make only little change. But these national income figures also show that the present total is large enough to provide for everybody the minimum necessary for health. As *The Economist* pointed out a hundred years ago, on November 4, 1843,

Statistics are a simple array of those facts and that experience which can alone enable us to come to clear and certain conclusions on any subject.

If statistics are essential as a guide to intelligent public opinion, they are vital to the Government in carrying out the wishes of the community. The Government must possess, in policy-making, all the relevant facts; it must be able to record economic changes before it can control or guide them; it must be able to assess in advance the quantitative effects of its actions. A policy of full employment, for instance, would be quite impossible without complete figures of employment and expenditure on investment. The establishment of a minimum standard of living requires careful and continuous study of prices and wages. If full employment is to be accompanied by expanding national income—which can only be got by a steady increase in productivity per head—the Government must be able to test the use made of national resources and measure both work and efficiency.

Much progress has been made during the war, and because of the war, in the collection and handling of statistics, precisely for this purpose of making the most advantageous use of scarce resources. The nation's total manpower and material resources are counted closely, and their employment is statistically controlled. Unfortunately, the few of the new statistics are available to the public—the Budget White Paper on national income and expenditure is the most important exception. Almost certainly, despite reasons of national security, secrecy has been carried too far. The statistical experience gained during the war can be invaluable after. In a Memorandum on Official Statistics, the Royal Statistical Society has rightly drawn attention to the need for an efficient statistical service after the war. The need is as urgent as the need for the sort of Economic Civil Service that was outlined in *The Economist* on October 23rd; in fact, they are two facets of the same requirement. The Memorandum deals with matters of organisation and machinery rather than with the range

of tasks which the statistical service will have to perform. But it makes quite plain how inadequate the Government's statistical service was before the war, and shows how many wartime improvements have been made.

Broadly, the Royal Statistical Society suggests that every major Government department should in future have a properly staffed and equipped statistical branch; that there should be, as now, in wartime, a Central Statistical Office to co-ordinate departmental work and initiate research; and that co-ordination could be aided by a small committee, selected from heads of departmental branches with the head of the Central Statistical Office as chairman. Most important of all, perhaps, the proposals lay stress upon the importance of rightly trained personnel.

These suggestions are, of course, sound, so far as they go. But an Official Statistical Service does in fact exist, in part at any rate. It has been built up piecemeal during the war, largely by the recruitment of temporary civil servants. The immediate practical problem is not the creation of new machinery, but what to do with this existing organisation. If it is allowed to disperse, if all the temporaries, being temporary, depart, it will take many years to reach even this point again. It must not be broken up; it must rather serve as a starting-point for the statistical service that is wanted. Inevitably many members of the present statistical organisation will wish, or be obliged, to go back to their peacetime jobs in universities and in business. But as many as possible, sufficient in numbers and in quality to provide the needed nucleus, should be induced to stay by the offer of suitable salaries and suitable status. If such a nucleus can be held together, and if the peacetime importance of statistical work is recognised by conferring upon it the appropriate rank in the Civil Service, the further problem of recruitment and training should not present serious difficulties—provided that, as in the case of an Economic Civil Service, it is made possible at every level to recruit from outside as

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.

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 £62,000,000
General Manager: Vernon E. Boys

well as from inside and to exchange personnel for particular work with non-official statisticians.

The thing that must be settled first, in fact, before the establishment officers batten down on this Service, is the vital part of statistics in post-war policy making, that the people cannot be given what they want, however good the will of the Government they choose, unless they mobilise and use statisticians and economists at a high level in the public service. The Central Statistical Office should preferably remain attached to the offices of the Cabinet rather

than be placed under the authority of, say, the Treasury; and, last but not least, measures should be prepared to enable the organisation to secure the statistical returns that may be required. The aim is not, and should not be, to bring about an arbitrary increase in the scope of Government interference and control; the degree of public intervention in private affairs must be decided by the people's elected representatives. The aim, of both an Economic and a Statistical Service, is simply to enable the Government to do properly whatever work it may be given.

American Banking in Wartime

(From a Correspondent in Chicago)

THE outstanding feature of the past twelve months of banking in the United States was that more people, individually, got out of debt and more people, collectively, went deeper into debt than at any other time in the nation's history. The weekly statement of the Federal Reserve System for October 20th showed that money in circulation in the United States had crossed the \$19 billion level for the first time. Cash in the hands of the public had increased more than \$5 billion over a year ago.

The money supply of the nation has increased in these proportions as a result of the Government's gigantic war financing operations. Dr Charles R. Whittlesey, of the University of Pennsylvania, in his report, "The Effect of the War on Currency and Deposits," published by the National Bureau of Economic Research of New York, opens with the statement that the increase in the money supply between June 30, 1939, and the beginning of this year, roughly \$37 billion, was greater than the total increase in the preceding century and a half. Proportionately, the increase has been far larger than during the first World War. The increase in currency in circulation, from approximately \$6 billion on June 30, 1939, to over \$19 billion on October 20th this year, is a continuation of a twenty-five-year trend; but the trend has been very greatly accentuated during the war by the monetary necessities of enormously expanded production.

Some commentators have sought to explain the large volume of money in circulation as a sign of money hoarding. But Dr Whittlesey emphasises the fact that

many of the individuals receiving increased income and dependency allowances have never been accustomed to handling their affairs through banks.

Shifts in population, inconveniences in the way of establishing new banking connections, and the temporary nature of the residence of many workers have had a similar effect, he believes.

In the three and one-half year period covered by the study (June 30, 1939, to the beginning of this year) another item was noted, the other form of "money" used by the American people—bank deposits (including Government deposits)—increased in round figures to \$29 billion. The expansion and contraction of bank deposits formerly reflected the changing money needs of business and the public; but one of the results of war financing is that, since the vastly increased deposits are now based on bank ownership of Government obligations, "any automatic tendency toward early contraction of the supply has now disappeared." Hence, the increased volume of deposits generated during the war may be here to stay. Money at the command of individuals and business firms has been comparatively idle. The turnover of bank deposits in 101 leading cities, as computed by the Federal Reserve Bank of New York, has declined from 22.5 to 20.5 times per annum.

Combined loans and investments of Federal Reserve System banks in 101 leading cities reached a record high level of \$51,648 million in the week ended October 13th, a reflection of heavy purchases of Government securities. Dr Whittlesey remarks that Government borrowing from banks is equivalent to the manufacture of so much paper money, since the volume of demand deposits in banks ultimately come to the disposal of the general public. It is

one of the most ingenious operations of the entire financial system, yet sufficiently subtle to remain a mystery to most customers of banks, and even to many bankers.

This was the reason why the Third War Loan Drive (\$15 billion), just ended, was confined to individuals and business firms.

The mighty public debt built up by the operation of financing the war was revealed at \$168,614,410,296 in the United States Treasury statement of October 19th, a total which compares with a figure of \$95,737,316,513 a year before. On October 22nd the Government released figures which seemed to indicate that, in spite of the fact that spending from the public purse was breaking all records, the Treasury deficit was being kept under some sort of control. The Government had spent \$27,049 million in the 113 days since this fiscal year began on July 1, 1943, approximately \$10 billion more than was spent in the whole of 1919—the peak year of expenditures during the last war. But the net deficit so far in this fiscal year is down \$100 million compared with the corresponding period last year,

RESERVE BANK ITEMS

Changes in member bank reserve balances and related items during the week and the year ended October 20, 1943, were as follows:—

	(In Millions of Dollars)		
	Oct. 20, 1943	Oct. 13, 1943	Oct. 21, 1942
Bills discounted	11	—	4
U.S. Government direct obligations	8,875	—	154
" " guaranteed obligations	39	—	6
Industrial advances (not including ten million commitments Oct. 20)	—	—	—
Other reserve bank credits	12	—	—
Total reserve bank credits	444	—	198
Gold stock	9,380	—	18
Treasury currency	22,132	—	23
Member bank reserve balances	4,101	—	2
Money in circulation	12,002	—	19
Treasury cash	19,019	—	41
Treasury deposits with F.R. banks	2,284	—	3
Non-Member deposits and other F.R. accounts	530	—	150
	1,778	—	178

U.S. TREASURY POSITION

	Oct. 19, 1943	Oct. 19, 1942
Receipts	\$ 122,663,849	\$ 54,795,774
Expenditures	415,095,332	307,477,533
Net balance	21,105,045,883	5,888,656,274
Working balance incl.	20,342,339,497	6,126,166,989
Customs receipts for month	23,070,925	13,256,771
Receipts for fiscal year (July 1)	11,607,686,271	4,220,795,528
Excess of expenditures	27,049,378,584	19,815,920,310
Total debt	15,441,692,313	15,595,124,781
Decrease under previous day	168,614,410,296	95,737,316,513
Gold assets	22,132,050,099	22,758,879,813

the figures being \$15,441 million and \$15,592 million respectively. The 1942 Revenue Act would appear to be accomplishing at least something. The Treasury collected \$11,607 million from American taxpayers in the 113 days following July 1st. In the corresponding period last year the collection amounted to \$4,220 million. Spending is much greater (President Roosevelt asked Congress for \$3 billion with which to pay interest in this fiscal period), but the debt is only growing at approximately the 1942 rate—which is, of course, very fast. Interest on the public debt amounts to nearly as much as the cost of running the Government during the years 1922-31. It has been estimated that the debt will be increased during the present fiscal year by about \$71 billion—a figure that suggests a calculation in astronomy.

The reverse side of the national debt picture concerns the individual, who is paying his share of the war costs,

buying his share of his Government's obligations, putting money in the bank, opening bank accounts at an unprecedented rate, and paying his debts. Most tellers in the banks of a city of reasonable size will testify that \$20 bills have supplanted \$10 bills as the most widely used paper currency. Around the time of the March 15th income tax payment date, a Congressman achieved brief publicity by stating that people of the United States were borrowing many more millions of dollars in order to meet their income tax instalments. Testimony of specialists in the personal loan business did not bear out the Congressman's view. Their business has been growing smaller, and some of them (notably institutions which financed automobile sales), finding themselves with an abundance of cash, have bought their way into manufacturing companies that needed money and had good war contracts, thus becoming investment trusts of a sort.

Americans, since 1900 and up to the present emergency period, have shown an increasing disposition to go into debt up to their necks, buying cars, furniture, clothes, and practically any kind of consumers' goods, besides paying doctor's bills and hospital fees in the same way. Statistics prepared for the Federal Reserve System recently show a drift to thrift that cannot be denied. For the year ended last July, total consumer instalment loans, personal loans made by banks and small loan institutions, credit unions and the like, fell \$928 million from \$1,428 million. Commercial banks' loans dropped to \$281 million from \$521 million; small loans to \$363 million from \$481 million; industrial bank loans to \$170 million from \$253 million, and credit union loans (loans company organisations of a mutual type,

set up by and for employees in order to accomplish easier "character loan credit" and lower interest rates) to \$114 million from \$173 million. And pawnshop business, the "poor man's bankers," is in a bad way; the owners are very vocal about it.

People are saving money. Mr Elliott V. Bell, superintendent of banks in the state of New York, said recently that the indications are that savings banks in New York state will have a larger gain in deposits this year than in any other year of their history. In the first nine months of this year, he said, bank deposits rose \$329 million, exclusive of dividends, against a decline of \$155 million in the corresponding period of last year. In the ten years ended last January 1st, he said, savings deposits increased by only \$257 million. The banks not only failed to attract new money, but were unable to retain on their books \$866 million of the \$1,123 million paid out in dividends. Mr Bell traced the changes in the composition of the assets of savings banks for the last twenty years, declaring they now had \$6 in cash for every \$100 of assets, against \$5 in 1930 and \$4 in 1920, and \$37 of Government securities, against \$16 in 1920 and \$4.50 in 1930. Net dividends after earnings, he said, had actually increased in the last eight years, although operating expenses had gone up nearly 50 per cent.

So Mr Average American, the white collar worker, the punch press operator, putting in overtime, the soldier and his wife and children collecting Government allowances, are generally located on the black side of the book-keeper's ledger, while the Treasury side gets redder and redder.

Business Notes

Russia and Gold

Although representatives of Soviet Russia have taken part in the recent informal talks on post-war currency plans laid in Washington and London, it is not until this week that a semi-official expression of Russian views on the subject has been made. It comes from the leading Soviet economist, Professor Varga, and takes the form of an article contributed to the periodical *War and the Working Class*. Professor Varga's position in the Soviet Union would suggest that his views have behind them a wide measure of official support. As far as may be judged from the cabled summaries of his article, Professor Varga states that Russia, while interested in all steps calculated to hasten the restoration of world economy, is not impressed by the international bank or stabilisation fund proposals of the Keynes and White schemes. His own country, writes Professor Varga, would prefer a return to a world gold standard.

If all the Soviet Union's trade with the rest of the world could be done on the basis of a fixed value gold currency, this would undoubtedly facilitate trade operations.

For Soviet Russia the "gold standard" has never meant what it means in the context of free and liberal economies. All that Professor Varga asks is that there should be stability of exchanges, which Russia needs for her foreign trade, and that there should be a fixed world-price of gold, which Russia also needs since she is the second largest gold producer in the world. For Russia, a return to the gold standard would have none of the implications which such a move would have for a country operating a relatively free economy. The fixed external value of the Soviet rouble has at no time maintained a close relation to its internal purchasing power. The problem of maintaining equilibrium with international cost and price structures hardly arises in a wholly planned and socialised economy, where the State undertakes the whole of foreign trade. For that reason the Soviet experts are bound to be profoundly disinterested in the technical devices by which the Keynes and White plans propose to maintain international discipline in matters of currency policy. Apart from this, the Keynes plan will be suspected by them because it envisages the possibility of changing the unitas price of gold, and thus endangering the world-price on which Russia depends for her output of the metal, while the White plan, with its stress on freedom from exchange controls, can hardly be expected to make any appeal to them.

The Soviet Russian attitude to gold has always been severely practical and utilitarian. It is true that in the early

years of the revolution an attempt was made to break completely away from a money economy. The printing presses were used consciously as an instrument of indirect taxation, and the old rouble was inflated out of existence. The experiment only served to show that, even in a communist economy, money has an important rôle to play, and can only play it if the unit is kept reasonably stable. The chervonetz was thus created as a new monetary unit stabilised in terms of gold. Its introduction synchronised with the concessions to private enterprise embodied in the New Economic Policy. Those concessions were only a temporary pause in the revolutionary process. Even the return to a gold parity for the currency caused Lenin a pang of regret, and he announced at the time that he still hoped to see the day

when we will place in the streets of some of the largest cities in the world, public lavatories made of gold . . . a most just and instructive use of that metal. Meanwhile we must see that we get full value for our gold. When you live with the wolves you have to howl like a wolf.

But whereas NEP was to pass fairly quickly, and make way for the intensified socialisation of the Five Year Plans, the concessions to monetary orthodoxy remained. Soviet Russia has never regarded gold as backing for the currency. In the words of Stalin, spoken in 1933:

"the stability of the Soviet currency is secured primarily by the tremendous volume of commodities in the hands of the state, and placed in circulation at stable prices. What economist can deny that such security is more real than any gold reserve?"

Gold reserves were built up in Russia to maintain a fund out of which temporary disequilibria in the balance of external payments could be met. That is still the main rôle which gold is expected to play in the economy of the USSR. As these reserves are fed by the second largest gold-producing industry in the world, it is not surprising that Russia should want the world to return to a currency standard which will ensure a world market and a stable price for gold.

Control of the Coal Industry?

The Minister of Fuel's plan for the coal industry, which has been rendered more and not less urgent by the calling-up of youths for the mines, is now on its way, and both the owners and the miners are considering its implications. Major Lloyd George had hinted that the scheme would not "fully satisfy" either side, and the present plan is essentially a further attempt at compromise. The aim of the Government is to strengthen its control over the in-

dustry without, however, accepting the miners' plan to take over financial responsibility. The new proposals, it is understood, include a scheme for the compulsory grouping of the pits within each region so as to form a compact unit for administrative purposes, and the appointment to each group of special technical directors (whose salaries would be paid from the Coal Charges Account) to assist the Regional Controller and advise colliery managements on improving their output. The ownership of the pits and the financial structure of the industry would not be affected, and it is hard to see how a group of pits can be operated as a unit without some variety of financial pooling. This scheme, if it is accepted, should correct the principal defects of the present operation of the control—the inadequacy of supervision and the insufficient application of technical advice; it should facilitate the concentration of production on the most efficient units which the Government White Paper of June 1942 stated would be "the most direct means of securing an early increase in output." It does not, in fact, go very much further than the White Paper, which proposed that each Controller should have technical assistants to advise on concentration and supervise operations at particular collieries, and that technical advice should be made available to managements, if necessary by the grouping of pits. It offers to do what, in fact, was offered, with flourish of trumpets, over a year ago.

"Cavilling" for the Pits

The system of "cavilling" or balloting for work in places underground is an established usage in the north country coalfields. It was also used for a short time in the last war to determine the order of release of miners from the Forces. Mr Bevin's decision to adopt this method for selecting conscripts for the mines is a happy thought. The miners like it, because they know how it works, and it appeals to their liking for a gamble, while its use should remove any fears that class prejudices might influence the choice. The chances are that, in any random selection of the population, the working-class element will predominate. Fitness and capacity to work in such a hazardous and arduous industry will, in any case, be the first criterion. In the circumstances, choice by ballot from among fit men is almost certainly the best course. Voluntary recruitment had completely failed to produce the requisite manpower. The right to "opt" for the mines in preference to the Services had been exercised by only 3,366 youths up to the end of September. The scheme, as Mr Bevin pointed out, may help to break down the sense of isolation in the mining community, and the miners' leaders have welcomed the introduction of new blood into the industry. With proper training and with the intensified use of mining machinery, the recruits may do much towards the maintenance of output. Provision is being made for their training and welfare (the details of the training scheme are given in a note on this page), and it is essential that these should be properly carried out and overseen. Accommodation may provide the biggest single problem. Housing in many colliery villages is crowded and bad, and if not enough youths can

be billeted in satisfactory conditions with miners' families the Government will have to tackle the problem of providing hostels and huts with as much energy as it has shown in meeting the needs of the US Armies. But when all is said and done, conscription of young men for service in the pits is not a substitute for the long overdue reorganisation of the industry, nor for the miners' own proposal for abolition of the present dual control.

The Mines Call-Up

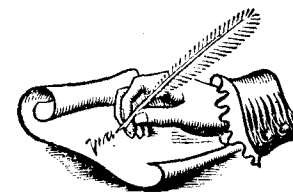
Details of Mr Bevin's scheme for compulsory recruitment to underground mining were announced in the House of Commons last week, and are likely to be debated in the near future. Recruits will be selected by means of a ballot from men born on or after January 1, 1918, who would otherwise be called up to the Armed Forces and are placed in medical Grade I, or Grade II if their disability is for defects only. Three classes will be exempt: men accepted for flying duties in the Royal Air Force or Fleet Air Arm or as artificers in submarines, or men on a short list of highly skilled occupations. Every recruit who has no previous experience in the industry will undergo a period of intensive training, which will be given in two stages. Stage "A" training will be at eleven special centres in the main coalfields and will normally last four weeks, before the men are posted to the selected pits by the Ministry of Fuel, where Stage "B" training will begin. Training will continue a fortnight and for their first month underground the men will come under the supervision of an experienced miner. The Ministry of Fuel is establishing an Inspectorate to supervise the schemes. The training week (except in South Wales where special conditions apply), will last approximately 44 hours and will be made up of physical training (25 per cent), below ground practical training (30 per cent), surface work (20 per cent), classroom work, and demonstration (25 per cent). Trainees will be paid the national surface workers' minimum rates, ranging from 39s. 6d. a week at 17 years to 78s. a week at 21 years and over. During Stage "B" trainees will receive the appropriate district rates. They will receive allowances, including travelling expenses above 5s. a week. Arrangements are being made for medical supervision and welfare. Recruits will be able to express a preference for a particular coalfield, but the final decision rests with the Ministry of Fuel and Power. There will be no compulsion upon the men to join the miners' union, but it is expected that union membership will in fact be automatic. Some 30,000 men are to be drafted to the pits by the end of next April, but the Government hopes that voluntary recruitment will continue.

More Settled Prices

The recovery in prices of industrial equities which followed the sharp setback of middle and late-October has for some days been tentative. Business in this section is rather restricted, and price movements, other than those in response to individual company announcements, are small and without much definite trend. Most British fixed interest stocks still tend to sag, and most other sections including many foreign bonds, are heavy. These more speculative sections are not likely to see any appreciable rise in prices just yet, owing to the existence of disappointed speculators, who have still stock to sell on a rise. It will not be surprising if the genuine investor turns once more to industrial equities. Whether the adjustment in these has gone far enough to attract buyers, despite the uncertainties to which the lack of any definite Government pronouncement on most aspects of reconstruction exposes the investor, is uncertain, but it has been substantial. According to *The Actuaries' Investment Index*, the margin between the yield on industrial preferences and that on equities was 0.08 in favour of the former on September 28th, whereas two months later it was 0.12 in favour of the latter. On the two months almost every class in the equity section has fallen, but the falls have been very unequal in extent. Possibly a more useful comparison is that with the position of a year ago. Aircraft manufacture and shipping shares are lower, for very evident reasons while a modest decline in electrical distribution is, presumably, due to the demand for nationalisation of this industry. Of the rises, most are moderate, but against a year ago stores and catering shares are up by 21 per cent, while the corresponding figure for gas stock was 17.3, that for

(Continued on page 789.)

JUST AND DURABLE



"Industry is helping to win the war . . . industry must help build a peacetime world. After the war is decisively won . . . what kind of world is essential for a just and durable peace?"

This question is being asked to-day everywhere in the world. No expert is needed to tell you the answer.

It must be a world as peaceful and neighbourly as your own town; a world in which decent people can bring up their children decently. It must be a busy world where factories and farms are working and where there are jobs for all. How can such a world be brought into being? The surest way is to think and talk about it. Full and complete discussions on the porches of this country, over its fences, in churches, schools, clubs, and always at meals—that is how the terms of A JUST AND DURABLE PEACE can be formulated.

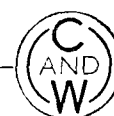
In your discussions keep in mind this fact: your terms of peace must be such that the people of other lands can agree with them. There must be provision in your plans for sustained production and for consumption of that production.

Only a world peace that squares with the conscience of men of good will can be just. Only a just peace can endure."

★ ★ ★

The above Statement has been issued by the International Nickel Company of Canada and is widely published in Canada and the U.S.A. We reproduce the Statement here because we believe that all engaged in industry in Britain will approve its principles and desire to collaborate with all the United Nations in formulating plans for "a just and durable peace."

Published by
THE MOND NICKEL COMPANY LTD
Grosvenor House Park Lane London W1



LINES OF COMMUNICATION

¶ In the raid on London during the night of the 10th May, 1941, the Central Operating Station of Cable and Wireless (the hub of its world-wide system) was gutted by fire.

¶ While some of the staff on duty there fought the flames throughout that night, others made their way across a London ablaze and under bombardment to emergency premises made ready for such a contingency, so that the service of vital overseas telegraph communication, linking London with the battle-fronts, might not be interrupted.

¶ There was no interruption.

¶ Only the few knew of this. It is an illustration of the un-resting continuity of a British Service whose traffic outward from London is *five times* what it was in 1938.

CABLE AND WIRELESS LIMITED



"At your service"

"THE NEXT ITEM IS THE HEATING SYSTEM..."



Fortnightly meeting of a works' Fuel Efficiency Committee

"THAT'S A JOB FOR OUR FUEL WATCHERS"

"Even in a mild season, room heating can run away with a good slice of our fuel. We know from what we've read in the Fuel Efficiency Bulletins that much can be done without making working conditions uncomfortable.

"We are now putting in thermostatic control throughout the factory, but until this is fixed the heating system must be the fuel watchers' job. We know the minimum temperature we need, and it's up to the fuel watchers to keep an eye on the thermometers. The important thing to ram home is this: *If the temperature rises only one degree higher than we need, we may be wasting no less than 5 per cent. of the fuel used.*"

Here are the pointers they gave their fuel watchers:

- Check the room thermometers at least four times in every shift;

- See that doors are not left open needlessly, and that somebody isn't opening windows just to cool the place down;

- To hold back a rising temperature, turn down the radiator valves or switch off the unit heater fans (but do not forget to shut off the unit heater steam as well or else heat will be wasted through the roof);

- Shut off the whole system towards the end of the shift, and put on again 15 minutes before the next shift starts.

Without proper control a works heating system can be a real fuel waster. If you have not yet put in the thermostatic control, see that your fuel-watching team controls room temperatures. If you need advice, get in touch with the Regional Fuel Efficiency Committee.

Saving is certain through planned Fuel Watching

The Ministry's Regional Offices are at:—

GLASGOW • NEWCASTLE • MANCHESTER • LEEDS
BIRMINGHAM • NOTTINGHAM • CAMBRIDGE • CARDIFF
BRISTOL • READING AND LONDON



ISSUED BY THE MINISTRY OF FUEL & POWER

Do your own lending

Not one of us, in the Country's present need, would wish to place his personal responsibility on to the shoulders of another.

Let us not then be content with delegating to our bankers the vital duty of lending our money to the state.

Every unnecessary pound you keep at the bank is an assertion of your right to spend instead of a token of your willingness to lend. Only you can enlist your money fully in the nation's service. Ask your bank to convert all you can spare from your bank balance into

3% Savings Bonds 1960-1970
2½% National War Bonds 1952-1954

Issued by The National Savings Committee

home railway ordinary 14, and that for building materials 14 per cent. Two categories outside the general list of industrial equities, namely, oil shares and investment trust ordinary capital, both show rises of over 26 per cent on the year. With the exception of home rails, which return an average of 5.52 per cent, the three classes of industrial equity which show these large rises give the three lowest

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	Nov. 24 1942	Sept. 28 1943	Oct. 26 1943	Nov. 28 1943	Nov. 24 1942	Oct. 26 1943	Nov. 28 1943
2½% Consols (4)	145.4	140.4	141.6	142.2	3.07	3.15	3.14
Home Corps. (4)	142.7	141.9	141.7	141.7	3.27	3.29	3.29
Ind. Debentures (43)	119.3	121.1	121.5	121.2	3.98	3.90	3.91
Ind. Preferences (101)	107.2	110.7	110.0	111.1	4.41	4.36	4.36
Banks and Discount (10)	111.4	114.8	116.6	117.9	4.07	3.89	3.89
Aircraft Mfg. (5)	71.0	66.4	65.5	67.2	7.47	8.09	7.95
Building Mats. (6)	82.7	96.5	95.4	93.0	3.53	3.10	3.18
Coal (8)	95.0	104.8	100.7	96.0	5.75	5.87	6.16
Gas (8)	85.2	101.8	101.5	100.0	3.05	3.13	3.15
Iron and Steel (18)	62.7	66.5	65.3	63.9	5.55	5.83	6.06
Total Productive (90)	73.3	69.4	70.4	72.7	4.57	4.57	4.72
Home Rails (4)	69.5	77.7	77.6	79.9	5.90	5.70	5.52
Stores & Catering (17)	59.7	74.8	74.5	71.7	3.91	3.30	3.42
Total Misc. (40)	78.8	85.7	85.0	83.1	4.38	4.12	4.23
Industrials—(All Classes) (158)	71.9	79.4	78.6	76.8	4.45	4.35	4.48

yields in the list, namely, 3.15 per cent for gas stock, 3.18 for building materials, and 3.42 for stores—a tie with cotton shares. Compared with these, returns of over 4 per cent on electrical equipment, motors, breweries and the large miscellaneous section appear almost generous.

Post-War Foreign Investment

While the British stock exchanges, under a system of Treasury control, which, if not unintelligent, is certainly not very intelligible, sees its activities almost daily reduced, Wall Street is busy planning to become the world's central security market. Such a position must, of course, be based on loans in terms of dollars to overseas countries, and the official view of the New York market on this point is that, outside a limited sphere, the finance of reconstruction must be left to the private investor. It is now widely realised in the USA that much of America's foreign lending between the two wars was ill-advised. It would scarcely be an exaggeration to say that the parlous state in which the British investor in foreign loans now finds himself is due to a combination of the fact that America overlent to the same borrowers and the fact that inadequate allowance is made for the rights of those whose loans had originally a first claim on the resources of the borrower. However that may be, it is scarcely possible to gainsay the fact that American markets in foreign loans were vastly inferior to that of London, and Wall Street has a long way to go to catch up. Since much post-war lending will inevitably be financed by the saving of US nationals, there can be no question that Wall Street ought to provide a first-class market. But it is to be hoped that Treasury policy will find room for substantial overseas loans financed from this country as well. This is only one of many fields in which it was once supreme; there are still substantial benefits to be reaped from running international markets. The whole of the funds with which London finances foreign countries need not be British. London has the skill and the necessary machinery—probably in a higher degree than any country—but they cannot be used if the new issue market and the ordinary business of dealing in stocks and shares are too narrowly regimented.

Shipping Freight Markets

Not unexpectedly, the agitation for the reopening of London's commodity markets after the war is gaining ground. The latest move, made by deep sea tramp ship owners, is designed to enable London, or, more precisely, the Baltic Exchange, to resume its place as the centre of

the world's freight markets. They do not advocate the opening of markets immediately after the last shot has been fired but "as soon as practicable after the cessation of hostilities." It is very unlikely that the markets will be reopened as soon as the war ends in Europe; the resumption of "normal activities" must wait upon the defeat of Japan. In fact, it is probable that the present methods of control may have to be continued for some time after the end of the war, at least during the period of transition from war to peace conditions. An early re-opening of the freight and other markets is therefore unlikely. But if there is to be a return to free markets for the distribution of commodities, there is everything to be said for ensuring that London's markets are in a position to reopen speedily and to earn foreign exchange by the export of their services.

Pre-fabrication of Houses

The volume of house-building after the war will depend not only on the resources that can be allocated to this purpose and on the type of construction but also on the limit of productivity. New methods of construction, such as pre-fabrication, may make it possible to speed up output quite appreciably. Mr Alfred C. Bossom, MP, a member of the building commission which recently returned from a special study of new materials and methods used in the United States, drew attention to the progress and success of pre-fabrication across the Atlantic in an address to the Incorporated Association of Architects and Surveyors on December 2nd. He suggested that at least 75 per cent of British post-war houses could be pre-fabricated in factories, free from weather difficulties, leaving only 25 per cent of the work to be done on the site. Such a degree of mechanisation would amount almost to a revolution, but, if pre-fabrication methods can be successfully applied in Great Britain, there is no reason why house-building should not be increasingly mechanised. Mr Bossom's other suggestion, that, contrary to tradition, women war workers could assist in the construction of houses after the war is no less revolutionary but seems equally sensible.

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

More Bank Notes

A mere nine weeks sufficed to mop up the £50 million additional Bank of England notes created early last October and this week a similar addition has again been made to the fiduciary issue. The move could not have been much longer delayed, for a further £14,471,000 of notes went into circulation during the week to last Wednesday, and, had it not been for its £50 million reinforcement, the reserve of unissued notes in the banking department of the Bank would by then have fallen to £4,947,000. The seasonal expansion in the note circulation is proceeding much faster this year than it did last; this contrasts with the remarkable stability of the circulation during the spring and summer months, which compared with a persistent and considerable expansion in the corresponding months of 1942. Heavier spending this December may be due in part to the larger number of overseas troops stationed in this country. It also indicates a definite relaxation in the prevailing mood of national austerity, for which the drift of the war news is no doubt responsible. The relative stability of the circulation in the earlier months of this year was partly attributable to the success of the Wings for Victory weeks, while the recent sharp expansion in the circulation has coincided with a remarkable drop in the weekly subscriptions to the Government's tap loans. Unless the expansion in the note circulation between December 8th and the end of the year is much greater than in the corresponding period of 1942, when it amounted to £33,906,000, the latest increase in the fiduciary issue should suffice to tide the Bank over the coming seasonal peak—but not with a substantial margin to spare.

Eire's Balance of Payments

Neutral Eire is one of the few countries to which the statistical black-out has not spread. For example, the recently published particulars of the balance of international payments for 1942 make extremely interesting reading. The main items are shown for each of the last three years in the appended table:—

	Credit			Debit		
	1940	1941	1942	1940	1941	1942
Capital Items:—						
Transactions:—						
Government	1,349	1,491	371	131	1,513	6,609
Currency Commission	...	...	...	7,048	2,388	5,388
Banking	...	...	...	3,675	14,930	13,935
Other capital	9,219	5,387	4,266	1,968	2,349	4,839
Total Capital Item	10,566	6,878	4,637	12,822	21,180	30,771
Current Items:—						
Merchandise	32,974	31,831	32,666	46,790	29,530	34,630
Income from external investments	13,100	12,550	13,000	6,900	8,350	8,400
Emigrants' remittances:—						
(a) From U.K.	700	2,600	6,800	...	...	...
(b) From other countries	1,428	1,257	1,579	...	...	...
British Govt. pensions	2,550	2,684	2,993	...	...	...
Other known items	881	1,621	4,601	1,018	2,556	2,353
Total Current Items	51,633	52,743	61,639	54,708	40,436	45,383
Total Current and Capital Items	62,201	59,621	66,276	67,530	61,616	76,154
Balance unaccounted for	5,324	1,995	9,878	...	...	...

The current balance of payments has recently run consistently in favour of Eire. The merchandise trade has hardly contributed to this favourable balance, imports and exports being approximately balanced for the years 1941 and 1942, though there was a substantial export surplus in 1940. The main impact on the balance of payments comes from emigrants' remittances, and income from overseas invest-

ments. The most striking feature of the statistics is the increase they show in remittances from workers in the United Kingdom. This is a reflection of the considerable recruitment of Irish labourers for war work in this country. Remittances to their families in Eire now represent one of the main credit items in that country's balance of payments. Emigrant remittances from other countries, mainly the United States have kept fairly stable in the past three years, but are well below the pre-war figure which ranged around £2,500,000. It will be seen that for 1940 and 1942 there were substantial credit items unaccounted for, the figure for 1942 nearing £10 million. These represent, in the main, errors of estimation in invisible items. The corrective movements are found in the capital transactions of Irish banks and of the Currency Commission. The war will leave Eire the strongest per capita creditor country in the world.

Brazil Settlement Injustice

Last week on page 751 some general strictures were passed on the new Brazilian debt settlement. This week it is possible to carry the story a step further, thanks to the detailed treatment of the position of the San Paulo Coffee Institute 7½ per cent bonds by Lazard Brothers and Co., Ltd., who were responsible for the issue. Under Option 1 of the settlement, holders of these bonds receive one-third of their contractual interest and one-fifth of their sinking fund. This treatment is much worse than that afforded to many other loans, some at least of which had no specific security, while others had security which has disappeared by virtue of economic developments. As against this the Coffee Institute bonds were protected by every known device, and it is essential to an understanding of the case to realise that, had they not been, the money could not possibly have been raised on such terms. The security included a specific charge on a transport tax fixed at 2s. 3d. gold on every bag of coffee grown and transported in the State of San Paulo, a specific charge on 7½ per cent bonds of the State of San Paulo and a general charge on all property, assets and undertakings of the Institute present and future. There was also a dollar option, a premium on repayment and a special reserve fund. The Institute was constituted a body corporate and recognised as a legal entity. Lazard Brothers claim, and investors certainly believed, that the obligations of such a body were better than the general obligations of the State or Central Government, and the standing of the German Potash bonds can be adduced as proof of the widespread character of this belief. Further, the sale of coffee produced and produces the foreign exchange, the lack of which was the ground for the original default, while the assets of the Institute and the actual sums credited to Lazard's account in milreis were for some time after default sufficient to provide full service. All these considerations and, apparently, Lazard's balances, have been swept on one side in the settlement.

There is much to be said for the view that only the bonds of the State of San Paulo properly came within the scope of the negotiations of the Council of Foreign Bondholders, and that, whatever view the Brazilian Government might adopt, the Council was not empowered to negotiate the settlement in respect of this loan, having in view its exceptional status. In any case, the Council appears to have admitted that in principle the loan had superior rights, but that the general rights of British bondholders and the need for maintaining such agreement as had been achieved between British bondholders and their American counterpart, on the one hand, and the Brazilian Government, on the other, made it inexpedient to urge the special claims

December 11, 1943

of any particular issue. If this is a correct reading of the position, the Council has surely done a disservice to all serious investors in foreign bonds and has made complete nonsense of the whole legal basis of finance; that full effect should be given to the terms of the original contract, and particularly to the distinction between fully secured, partially secured and unsecured loans. It is the duty of the Council to protect both the contractual rights of existing bondholders and the British business of foreign finance, not to liquidate British foreign interests as though Britain were a distressed debtor.

US Patent Reform

Those who believe that the patent laws of this country are in need of drastic reform may find the report of the US National Patent Planning Commission rather discouraging. Appointed just two years ago to study the American patent system and consider whether it provides the maximum service in stimulating inventive genius, the Commission reports that the system should be preserved, that it has placed the USA far ahead of other countries, facilitates rapid development and general application of new discoveries, contributed to the achievement of the highest standard of living that any nation has ever enjoyed, and stimulated creation and development of products and processes necessary to wage successful war. This is high praise, but it makes curious reading alongside some of the strictures of the ill effects of the existing system which have appeared in the USA from time to time. Unfortunately, in the absence of any of the evidence heard by the Commission, there is no means of deciding how far these strictures have been met. In passing, it may be questioned whether the patent system has played a large part in creating America's differential advantages. The Commission does not find the system perfect, and it makes a number of recommendations for its improvement. Naturally, these are recommendations only to American conditions. In this mainly applicable only to American conditions. In this category are the suggestions that the Licence of Right—unknown in the USA at present—should be permissible, but not obligatory, and that there should be a single court of appeal for all patent cases instead of many. The Commission, however, also recommends that all future agreements which have patents for their subject matter must be recorded in the US Patent Office, while a similar record must be made in the Patent Office, or which include any restrictions as to price, quantity of production, geographical areas or fields of use. Further, it recommends that a patent granted may be revoked if any member of the public successfully challenges its validity in proceedings commenced within six months after it is granted. More interesting is the suggestion that

there should be a uniform standard as to what constitutes invention, determined objectively by the nature of the contribution to the advancement of the art, and not subjectively by the nature of the process by which the invention may have been accomplished.

The remaining recommendation of importance substitutes, as the maximum life of a patent, 20 years from the date of filing for the present 17 years from its allowance. This is, however, subject to an extension to a maximum of 22 years where there has been great delay beyond the control of the applicant.

It seems open to very serious doubt whether similar recommendations would suffice to remove the great abuses of the patent law which are believed to exist in this country, the abuses which make it an important vehicle for the restraint of trade. Two of the recommendations, if they can be put into effect, do, however, go much further than perhaps appears at first sight, namely, the registration of agreements, and the definition of patentability. It can be safely said, however, that the registration of agreements, while a large step in the right direction, would not suffice in this country where control is often exerted without any formal agreement. In the matter of standardisation of practice, the objective in the USA is to avoid differences of opinion between the Patent Office and the Courts. What is required here is, rather, a much higher and more clearly defined standard of what constitutes patentability. On the whole, the report contains little that is readily applicable to con-

Cotton Mill Reconstruction

In view of the fact that Crosses and Winkworth Consolidated Mills have had little or nothing to distribute on any class of capital for well over a decade, and have paid out very little since their formation during the post-war boom of 1920, it is very difficult to arrive at a just appreciation of what treatment should be given to the various classes of holder. Clearly, on a legal basis everything belongs now to the Crosses and Heaton's debenture-holders, but the board clearly do not consider that a full enforcement of legal rights is justified. Having pulled the company round to a point where the liquid position, from appearing hopeless, is reasonably sound, they put forward a scheme which preserves, even for the ordinary shareholders, some 13.7 per cent in the equity of the business. The debenture-holders are to exchange, pound for pound, into 6 per cent cumulative redeemable preference, and to receive in consideration of this and the cancellation of all arrears of interest, 50 per cent of the total of the arrears in ordinary capital. This gives them some 56.3 per cent of the equity, and the remaining 30 per cent goes to the old preference shares, whose holdings are cancelled. If the scheme is accepted, it is expected that dividends will be forthcoming on both classes of new capital. Evidently the scheme is beneficial to both preference and ordinary shareholders in the short run, but it is not clear that the long-term prospects are sufficiently certain to warrant the debenture-holders accepting even a heavy participation in the equity, unless they can sell out at something like par. Rejection of the proposals would, presumably, mean that there would be an appreciable amount available, so long as current earnings are maintained, for payment of interest arrears. The position is, however, complicated by the anomalous treatment of debenture interest under EPT.



The OCEAN

Accident & Guarantee Corporation, Limited
Head Office: 36-44, Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

For the Child's future —

MAGNA CARTA POLICY

which affords protection should the father die during the child's minority.
NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE

48 Gracechurch Street, London, E.C.3

The ordinary shares of 10s. stand at 14s. 6d.

TO THE DIRECTORS OF TUBE INVESTMENTS LIMITED.
In accordance with your instructions we have examined the above statement prepared from the accounts of your Company, and from the audited accounts of the Subsidiary Companies, as certified by their respective Auditors, as at 31st July, 1943.
On the basis of such accounts, in our opinion, this statement shows the correct status of assets over liabilities after excluding Goodwill, Patent Rights, etc., and after provision for taxation, special depreciation and other contingencies, and dividends proposed to be paid.
HOWARD SMITH, THOMPSON & CO.,
Chartered Accountants, BIRMINGHAM.

COMPANY MEETINGS

CROSSES AND WINKWORTH
CONSOLIDATED MILLS, LIMITED

SCHEME OF RECONSTRUCTION

CHAIRMAN'S STATEMENT

Mr Joseph R. Heaton, the chairman and managing director, will make the following statement at the class meeting to be held on 30th instant, in the Albert Hall, Peter Street, Manchester, of the various classes of debenture stockholders and shareholders, giving the observations of the board of directors.

Your directors now submit to you a scheme for the capital reconstruction of your company, but before going into details the board wish me to make a few preliminary observations, as it is thought this may assist you in your consideration of the scheme, by giving you some idea of the problems we have had to contend with over the last decade or so.

In 1930 Crosses and Heaton's Associated Mills, Limited, the whole of whose share capital was owned by Crosses and Winkworth Consolidated Mills, Limited, found itself unable to meet the service of its debentures, and a moratorium was granted by the holders to give time for the affairs of the combine to be gone into. The investigation resulted in the amalgamation of Crosses and Heaton's Associated Mills, Limited, with Crosses and Winkworth Consolidated Mills, Limited. The following extract from the speech of Sir William McIntock to the debenture stockholders on October 6th, 1931, reflects the position as it then was:

"As I explained to you at the last meeting, the present value of your security is considerably less than the amount of the outstanding debentures. It is obvious, therefore, that the only source to which you can look for payment of interest on your debentures is the future earnings of the concern. What you are being asked to do is in effect to take control of the direction of the combined companies through your trustees and the gentlemen you are nominating as directors of the company, with a view to giving these gentlemen a chance to see whether they can restore the fortunes of these two companies and thereby enable you ultimately to receive the full amount of your claims as creditors of these companies."

What in fact the directors were asked to do was to rehabilitate the finances of a virtually bankrupt concern. I was one of the gentlemen referred to by Sir William as being given the chance to restore the fortunes of the company and was appointed joint managing director of the combine. In 1936 I became sole managing director and in 1941 was elected chairman of the board.

During the intervening years my whole time and attention have been given to the management of your company, and I need hardly tell those of you who have followed the fortunes—or should I say misfortunes—of the cotton industry in general and this company in particular of the many difficulties we have had to face and overcome. Our first balance sheet after the amalgamation showed we were indebted to our bankers for £488,984, which in the year 1935 had increased to £545,578. At one period our finances were in such low water that it was difficult to finance our normal trading requirements, but fortunately we were able, with the co-operation of certain of our financial friends, to evolve a scheme which freed part of our assets and enabled us to obtain the necessary facilities. Reference to the balance sheet at the 31st March, 1943, disclosed a different state of affairs; the loan from the bank had completely disappeared, and the debentures securing it cancelled; readily realisable assets, including cash £231,173, amounted to £740,461, against total outside liabilities

(exclusive of the Heaton debenture stock) of £136,389. I think you will agree that apart from the claims of the debenture holders the company is now in a sound financial position, which the scheme now before you is framed to consolidate.

The holders of the "Heaton" 6 per cent first mortgage debenture stock are secured creditors of the company, both for the principal amount outstanding, £1,396,215, and the accumulated arrears of interest, which to 31st March last amounted to £928,617—or a total of £2,324,832. Although the arrears of interest are not immediately payable, they are nevertheless a liability and in so far as profits computed in accordance with the trust deed are earned, they must be paid out to the debenture holders until all accumulated arrears of interest have been paid off.

Under the trust deed securing the "Heaton" debenture stock the profits remaining after

(a) payment of any bank interest and usual bank charges,

(b) cost of maintenance of building and fixed plant, etc.

(c) depreciation at the rate of £75,000 per annum or such other rate as may be agreed in accordance with the trust deed, have to be applied

(i) in paying interest on the debenture stock and any arrears thereof,

(ii) in establishing a sinking fund for redemption of the stock, and

(iii) in creating a special reserve account equal to two years' interest on the stock for the time being outstanding.

The accumulated requirements under the trust deed at 31st March, 1943, amounted to £2,169,033. This is far in excess of the profits available. In addition, future earnings are likely to be fully absorbed in taking care of the annual charges for depreciation, interest and sinking fund, amounting to £173,018, and there thus seems no probability of overtaking the arrears of interest, which must be satisfied before either the preference or ordinary shareholders can receive a dividend.

A suggestion was made that the arrears of interest should be dealt with by an issue of funding certificates, but this method would be of no real benefit either to the company or to the shareholders, for although the certificates would not appear as a liability in our books, interest would have to be paid thereon and a sinking fund set up for their redemption. Both of these items would have to come out of our profits, in addition to debenture interest and other requirements under the trust deed, before any dividends could be paid to shareholders.

FIXED ASSETS

In our balance sheet at March 31, 1943, the "Winkworth" and "Heaton" land, buildings, etc., are carried at £2,654,955, but if you refer to the auditors' report on the balance sheet at March 31, 1943, you will see that no provision has been made for depreciation since March 31, 1930, or for the loss on fixed assets realised during the year ended March 31, 1937. It is obvious, therefore, that these assets are being carried at a figure which considerably overstates their present value. We have accordingly had an independent valuation made which brings out a figure of £1,562,214, or £1,092,741 less than our balance sheet value. To provide for this deficiency, we propose to utilise the depreciation reserve of £100,000, and the balance at credit of profit and loss account,

£581,295—together £681,295—leaving an amount of £411,446 still to be found, which the scheme contemplates should be written off the share capital of the company.

SCHEME

As a detailed copy of the scheme accompanies this statement, I do not propose here to do more than give you an outline of its main proposals, which are as follows:

(a) The existing issued preference shares to be converted into ordinary shares of 1s. each.

(b) The company's share capital to be reduced by £411,446 16s. 6d. by writing off 4d. per share on the ordinary capital, including that converted from preference shares.

(c) The ordinary capital so written down is then to be converted into stock transferable only in sums of £1 and multiples of £1.

(d) The company's authorised share capital is to be increased back to a round figure of £4,000,000, of which £1,396,215 will consist of 6 per cent redeemable cumulative preference stock. This redeemable preference stock will rank in priority to all other classes of share capital for a 6 per cent cumulative preferential dividend and in a winding-up for repayment of capital and any arrears of dividend.

(e) The holders of the "Heaton" 6 per cent first mortgage debenture stock to change their debenture stock for, redeemable preference stock at par, such debenture stock and the securities therefor to be cancelled.

(f) The holders of the said debenture stock to agree to all arrears of interest thereon, totalling £928,617 down to 31st last, being cancelled and extinguished, and in return for this the existing shareholders to provide out of their half for the debenture stockholders £464,308, the new ordinary stock as follows, £276,902 of such stock will be provided, the existing preference shareholders, £187,406 will be provided, the existing ordinary shareholders, etc.

If the scheme is approved and carried by the court, the whole of the debenture stock and arrears of interest will have been extinguished without in any way doing our cash resources, and the consolidated share capital will then consist of £1,396,215 6 per cent redeemable cumulative preference stock and £822,892 new stock. The resulting position of different classes of security holders will be as follows:

"HEATON" 6 PER CENT. FIRST MORTGAGE DEBENTURE STOCK

The stockholders will receive the same nominal amount of new 6 per cent redeemable cumulative preference stock as they now hold in the debenture stock. They will also receive from the shareholders ordinary stock to a nominal value of £464,308 in compensation for the cancellation of arrears of interest.

SHAREHOLDERS

The preference shareholders will be left with new ordinary stock to a nominal value of £246,141, equivalent to 31.37 per cent of the nominal value of their existing holdings. The ordinary shareholders will be left with stock to a nominal value of £112,443, equivalent to 25 per cent of the nominal value of their existing holdings. In proposing more favourable terms for the preference shareholders the directors have taken into account their priority over the ordinary shareholders for return of capital in liquidation, but against this they are only entitled to receive a non-cumulative dividend of 6 per cent without any further right to participate in profits. By converting into ordinary capital they will, moreover, fully participate in any future prosperity as the company may enjoy. The conversion of the debenture stock into preference stock is an important part of the scheme, as it will considerably strengthen our financial position and allow the company to pay dividends when profits are available.

As in the aggregate its constituents are substantial holders of the "Heaton" debenture stock, your directors deemed it proper and advisable to submit the scheme to the Association of Investment Trusts, and I am pleased to inform you that the Association, as representing its members holding debenture stock, is recommending them to accept the scheme.

Finally, our standard for excess profits tax has been agreed at what your directors consider a satisfactory figure, and provided our earnings are substantially maintained and the scheme accepted, the board see their way to recommend payment of a dividend on both the proposed new redeemable preference stock and new ordinary stock for the current year. If, on the other hand, the scheme is rejected, then there is no likelihood, so far as your directors can see, of either the present preference or ordinary shareholders seeing any return on their capital. The scheme has been carefully weighed so as to give fair treatment to all classes, and I trust you will show your confidence in the board and pass the scheme by a large majority.

THE CONSOLIDATED GOLD
FIELDS OF SOUTH AFRICA,
LIMITED

LIQUID POSITION IMPROVED

The ordinary general meeting of the Consolidated Gold Fields of South Africa, Limited, was held in London, on the 2nd instant, Mr Robert Annan (deputy chairman) presiding.

The following is extracted from the address of the chairman, Mr H. C. Porter, issued with the report and accounts.

The accounts of New Consolidated Goldfields show a profit of £908,399 which, after allowing for tax deducted from dividends, etc., is £15,950 greater than last year's figure. Conditions in the market have afforded opportunities for profitable transactions and our revenue from dividends, interest and other sources has been well maintained though on a slightly lower level than last year.

Taxation in South Africa is £27,800 higher and the provision for U.K. taxation £76,000 lower. The usual reserve for depreciation of £100,000 has been made, and following modern practice provision has been made for a dividend of 12½ per cent, less tax. This enables the Consolidated Gold Fields of South Africa, Limited, to pay a similar dividend. In the balance-sheet the gilt edged investments are £406,000 more, while shares in companies are lower by £210,000, accounted for by the £100,000 transferred to reserve for depreciation and to the excess of sales over purchases. The liquid position, including gilt edged, has been strengthened and now amounts to nearly £2,500,000.

MINING INDUSTRY'S DIFFICULTIES

While the price of gold remained unchanged, there was a further increase in direct taxation, the special contribution being raised from 20 per cent. to 22½ per cent., and the State now takes nearly 71 per cent. of the taxable profits of the industry as a whole. There has been a considerable falling off in the supply of labour during the year.

The result of these factors has been to reduce output and to increase operating costs. Curtailment of development, which will have to be made good later, and the rise in costs both tend to a reduction in

ore reserves available for treatment, but, in spite of these adverse conditions, the effect has been limited and the general position is as satisfactory as could be expected in the circumstances.

Operations on the Gold Coast continued under increasing difficulty owing to shortage of supplies, and a scheme for the concentration of the gold mining industry was imposed by the Colonial Government in February last after consultation with the interests involved.

The burden of taxation on mining companies incorporated in the United Kingdom is a matter of serious concern. Strong representations are being made to the Chancellor of the Exchequer.

The report and accounts were adopted.

AERONAUTICAL AND
GENERAL INSTRUMENTS,
LIMITED

DIVIDEND AT 12½ PER CENT

The seventh annual general meeting of Aeronautical and General Instruments, Limited, was held, on the 8th instant, in London, Mr W. McClelland, C.B., O.B.E., M.Inst.E.E. (the chairman) presiding.

The following is an extract from the chairman's statement: I have the pleasure to inform you that your company has had a busy and successful year, during which it has created another production record and succeeded in meeting the ever-increasing demands made upon it.

We can be justly proud of our year-by-year production records and are convinced that your company's great contribution to the war effort, which has been much appreciated by Government Departments, will be recognised in the post-war period.

After deducting all expenses, including insurances arising out of war risks, etc., and after making adequate provision for depreciation, the profits amount to £61,930, from which have to be deducted, first, an amount of £33,000 in respect of E.P.T., and, secondly, an amount of £13,375, being provision for income tax for the year 1943-44. Shareholders will be interested to know that the amount paid or payable by the company on account of E.P.T. to March 31st last amounts in total to £145,500.

Each of our trading subsidiary companies has had a successful and profitable year; but owing to the absorption by taxation of a large part of the profits, it has been thought prudent to carry forward the balance in the accounts of the respective subsidiaries. During the year the policy of maintaining the plant and machinery at the highest efficiency possible under the present strenuous conditions has been continued.

Arduous and difficult demands are often made upon our employees, and I am sure that the shareholders will join the directors in congratulating and thanking our staffs and workpeople for their loyal and enthusiastic support.

Your company's reputation in radio communication, including domestic radio, always stood high, and during this war considerable technical success has been achieved in connection with Government requirements. It is believed that this development work and technical progress, together with new processes and equipment, will be of considerable advantage to the company in the post-war period.

Earlier in the year, certain unavoidable delays appeared in the final completion of

the year's accounts, and in consequence an interim dividend of 6 per cent. was paid in August last, which payment you will be asked to confirm, together with a final dividend of 6½ per cent., making a total of 12½ per cent. for the year.

The report and accounts were adopted.

MALAYALAM PLANTATIONS,
LIMITED

The twenty-second ordinary general meeting of Malayalam Plantations, Limited, was held, on the 9th instant, in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from the chairman's address circulated with the accounts: In spite of the manifold difficulties arising from the war, the year has been a successful one for the company and many high records have again been established. Much of the fruits of the year's work, however, has been absorbed by taxation. The profit and loss account shows a profit of £249,086. The directors propose a final dividend of 6 per cent., making 10 per cent. for the year.

With regard to the current year, it is estimated that the tea crop will be reduced to about 13,500,000 lbs., but we hope to increase our rubber crop to over 6,000,000 lbs. More distant prospects for tea appear to be good for many years ahead. The report was adopted.

DICTOGRAPH TELEPHONES,
LIMITEDEFFECT OF GOVERNMENT
CONTROL

At the seventh ordinary general meeting of Dictograph Telephones, Limited, held on December 9th at Croydon, Mr John H. Whitfield, managing director, presided, and the following is an extract from the statement he made on behalf of Mr Philip V. Summer, the chairman of the company, who was unable to be present:—

I consider the results for the 12 months ended August 31, 1943, can be regarded as satisfactory and reveal once again the resilient nature of our business and its ability to withstand hard knocks.

The Machinery, Plant and Appliances (Control) (No. 3) Order, 1942, imposed an obligation upon intending users of private telephone equipment to secure a Board of Trade Licence or other Government authorisation. I am of the opinion that in the early months of control due discrimination was not used by the Board of Trade in the interpretation of the Order. I hope that the Board of Trade will review its attitude in this matter in the interests of the war effort and general efficiency.

The stability of the Rental Installation Asset has been maintained in spite of restricted trading. The nature of the rental investment is such that the present net rental income is not likely to be affected to any extent during the period of Government control and restricted trading conditions. The rental income will greatly assist in stabilising the company's affairs during the post-war years.

Another year of satisfactory trading can be reported on behalf of our subsidiary company, Gramophone Reproducers, Limited. Its output is fully absorbed.

The board again feel justified in recommending a final dividend of 6 per cent., less income tax, making 10 per cent. for the year.

The report was unanimously adopted.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Pharmacy J.I.C.—Trade unions and organisations of employers concerned in retail pharmacy have established a National Joint Industrial Council. The organisations included in the membership of the Council are the National Pharmaceutical Union, the Company Chemists' Association, the Co-operative Union, Ltd., the London Employers' Association, the Retail

Distributors' Association, the Multiple Shops Federation, the National Amalgamated Union of Shop Assistants, Warehousemen and Clerks, the National Union of Distributive and Allied Workers, the National Union of Co-operative Officials, the Association of Scientific Workers and the Chemical Workers' Union. The scope of the Council will cover not only the regulation of wages and conditions, but also a wide range of

(Continued on page 796.)

Trade stated in the House of Commons on December 7th that the allocation of leather to civilian footwear repairs has been increased by 20 per cent in the quarter to December 31st. Extra supplies of composition rubber material have also been made available.

"The Economist" Sensitive Price Index.—The index (1935=100) remained unchanged during the week to December 7th, and was as follows:—Crops, 122.9; raw materials, 182.3; complete index, 149.7.

Retail Trade.—The index number of the average value of daily retail sales (1937=100), published in the *Board of Trade Journal* for December 4th, was the same in October, at 109, as in September, and three less than in October, 1942. The average for the year to September was 106. The index for non-food merchandise dropped from 115 in September to 100 in October, and was four points above the average for the twelve months to September. Food rose by 10 points to 117 and apparel dropped from 132 to 104. Household goods rose by six points to 76.

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

	Daily Average Sales			Stocks (at cost) end Oct.
	1943			
	Aug.	Sept.	Oct.	
(a) By Commodities				
Non-food Merchandise :—				
Piece-goods.....	+13.5	+12.8	+17.4	+3.1
Women's Wear.....	+12.8	+32.4	+16.0	+9.1
Men's and Boys' Wear.....	+20.0	+30.2	+8.8	+11.3
Boots and Shoes.....	+12.1	+21.0	+16.9	+17.4
Furnishing Departments.....	+6.9	+11.7	+9.4	+10.0
Hardware.....	+3.7	+7.5	+0.7	+14.3
Fancy Departments.....	+5.5	+4.5	+14.1	+13.3
Sports and Travel.....	+12.9	+12.1	+6.4	+8.0
Miscellaneous.....	+3.5	+5.0	+5.1	+15.8
Total :—				
Non-food Merchandise.....	+7.6	+15.1	+10.5	+9.8
Food and Perishables.....	+1.0	+2.1	+3.7	+12.8
Total :—				
All Departments.....	+2.4	+7.5	+2.8	+10.0
(b) Districts				
Scotland.....	+0.5	+7.5	+1.4	+7.3
North-East.....	+1.9	+8.7	+1.4	+9.8
North-West.....	+2.8	+6.8	+3.8	+10.1
Midland and S. Wales.....	+3.6	+5.7	+3.5	+14.6
South England.....	+3.7	+4.2	+4.5	+15.5
Central and West-End London.....	+2.1	+13.9	+1.6	+3.0
Suburban London.....	+1.0	+8.0	+1.0	+7.1
Unallocated.....	+7.5	+18.1	+4.2	+14.5

Source: Board of Trade Journal.

AMERICAN WHOLESALE PRICES

	Nov. 30, 1943	Dec. 7, 1943
GRAINS (per bushel):—		
Wheat, Chicago, Dec.....	1644	1684
Oats, Chicago, Dec.....	764	814
Rye, Chicago, Dec.....	1152	1188
MISCELLANEOUS (per lb.):—		
Cotton, N.Y., Am. mid., spot.....	20.07	20.28
Am. mid., Nov.....	19.23	19.55
Moody's Index of staple commodities, Dec. 31, 1931=100.....	244.4	246.7

BRITISH WHOLESALE PRICES

	Nov. 30, 1943	Dec. 7, 1943
GRAIN, etc.		
Eng. Gaz. av. per cwt. (c).....	14.10	14.9
Barley Eng. Gaz. av. per cwt. (c).....	27.8	27.8
Oats (c).....	15.7	14.11
JUTE (per ton):—		
Dalziel 2/3 c. and f. Dundee.....	38/10.0	38/0.0

(e) Average for weeks ended Nov. 27 and Dec. 4.

INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937=100)

	Stocks (end Year & Month)	Home Trade	Total	
			Index	% 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, Sept.....	99	102	99	+7.5
Oct.....	90	116	112	+3.7
1943, Sept.....	112	113	109	+10.1
Oct.....	103	109	105	+6.3

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is not included; figures are therefore comparable throughout.
Publication of Indices of Export Sales suspended in September 1942.
Source: Board of Trade Journal.

Pies and Sausages Zoning.—At the request of the Ministry of Food, the manufacturers of open-pack meat products (sausages, pies, etc.) have recently been considering, through the Food Manufacturers' Federation, economies in the transport of their products. The methods adopted have been the exchange of the more distant customers, and similar arrangements for the supply of goods by a manufacturer nearer to the customer, on behalf of a more distant original supplier, to eliminate long hauls and cross hauls. The interests of the customers have been safeguarded by providing that they shall continue to receive, as nearly as possible, goods of a similar type and equivalent weight to their original supplies. The result has been to achieve an annual saving of transport on over 5,000 tons of goods, equivalent to nearly 1,000,000 ton miles.

INVESTMENT Stock Exchanges: London "FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	30 Ord. shares*	20 Fixed Int.†
Dec. 2.....	4,163	4,236	101.5	134.1	134.1
" 3.....	4,284	4,623	101.6	134.1	134.1
" 6.....	5,353	5,373	101.8	134.0	134.0
" 7.....	4,290	5,412	102.0	134.0	134.0
" 8.....	4,463	5,602	102.0	134.0	134.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22) lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Nov. 25.....	110.5	601,000	Nov. 29.....	108.8	703,000
" 26.....	110.5	341,000†	" 30.....	109.1	712,000
" 27.....	110.2	341,000†	Dec. 1.....	110.2	711,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

(WEEKLY AVERAGES) (1935=100)

	1943		Nov. 17, 1943	Nov. 24, 1943	Dec. 1, 1943
	Low	High			
37 Industrial.....	81.1	103.5	90.9	92.3	91.2
32 Rails.....	72.6	99.9	85.4	84.8	83.2
40 Utilities.....	67.9	89.6	84.4	84.6	84.5
419 Stocks.....	78.5	100.9	89.6	90.7	89.7
Av. yield %*.....	5.36	4.35	5.03	4.96	5.01

* Common Stocks. (a) Aug. 25.

Capital Issues

Week ending December 11, 1943	Nominal Capital £	Conversions £	New Money £
1943.....	1,565,844,385	1,541,094,096	1,541,094,096
1942.....	1,455,382,490	1,407,503,715	1,407,503,715

Particulars of Government issues appear on page 797.

Year†	Destination*	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943.....	1,537,786,992	2,668,427	638,677	1,529,310,031	2,127,701	9,656,364
1942.....	1,406,654,253	771,147	78,315	1,399,449,327	988,562	7,065,826

* Conversions Excluded. † Includes Government issues to November 30, 1943, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—The position in the money market has been rather difficult. The banks were called upon to pay £90,000,000 against Treasury Deposit Receipts during the week of which some £55,000,000 was new money. Partly for this reason they have been very diffident buyers of bills from the market. The application for Treasury bills at last week's tenders increased to £201,035,000, the total being swollen by substantial tenders of an official character. The market thus saw its allotment cut from 30 to 23 per cent. Even so, it found it difficult to match its take up of new bills by sales to the clearing banks. The scarcity of credit is seen in a reduction of £13,430,000 in bankers' deposits at the Bank of England. This movement balances an increase of £14,471,000 in the note circulation and it is evident that the authorities have not gone out of their way to neutralise the effect of the withdrawal of notes on the volume of bank cash. Government securities show a reduction of £53,675,000 of which £50,000,000 represents the transfer of securities to the Issue department following the increase in the fiduciary issue.

GOVERNMENT RETURNS

For the week ended Dec. 4, 1943, total ordinary revenue was £41,609,000, against ordinary expenditure of £145,746,000. There were no issues to sinking funds. Thus, including sinking fund allocations of £9,045,735, the deficit accrued since April 1st is £2,203,591,000 against £2,060,540,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Dec. 5, 1942	April 1 to Dec. 5, 1943	Week ended Dec. 5, 1942	Week ended Dec. 4, 1943
ORDINARY REVENUE	117,500	355,469	454,071	6,255	6,583
Income Tax.....	80,000	17,904	17,791	540	600
Sur-tax.....	100,000	61,785	65,989	1,340	1,650
Duties.....	17,000	8,760	12,120	740	326
Stamps.....	500,000	228,324	332,334	7,853	7,940
N.D.C.....	1,000	310	238	...	...
E.P.T.....	...	...	...	...	...
Other Ind. Rev.....	187,300	691,288	903,672	16,728	17,099
Total Ind. Rev.....	525,320	315,685	371,595	10,516	16,318
Excise.....	450,180	292,800	328,090	2,975	5,936
Total Customs & Excise.....	975,500	608,485	699,685	13,491	22,254
Motor Duties.....	25,000	6,497	5,253	100	125
Canadian Govt. Contribution.....	...	208,748	...	8,989	...
P.O. (Net Receipts).....	400	12,800	...	1,700	...
Wireless Licences.....	4,700	2,610	2,690	...	...
Crown Lands.....	800	680	710	...	...
Receipts from Sundry Loans.....	1,000	2,281	4,410	...	...
Miscell. Receipts.....	24,000	74,468	53,099	1,628	2,131
Total Ord. Rev.....	2907,500	1607,857	1669,519	42,636	41,609
SELF-BALANCING P.O. & Brdcastg.....	110,632	68,700	74,550	1,300	1,950
Total.....	3018,132	1676,557	1744,069	43,936	43,559

Expenditure	Estimate 1943-44	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Dec. 5, 1942	April 1 to Dec. 4, 1943	Week ended Dec. 5, 1942	Week ended Dec. 4, 1943
ORDINARY EXPENDITURE	375,000	245,426	272,772	29,231	27,988
Int. & Man. of Nat. Debt.....	9,500	5,366	5,004	335	332
Payments to N. Ireland.....	7,500	3,965	3,850	10	80
Other Cons. Fund Services.....	392,000	254,757	281,627	29,576	28,400
Supply Services.....	536,675	340,534	358,243	11,519	11,736
Total Ord. Exp.....	575,875	366,099	386,406	14,271	14,576
SELF-BALANCING P.O. & Brdcastg.....	110,632	68,700	74,550	1,300	1,950
Total.....	586,507	372,799	393,861	14,401	14,796

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £428,171 to £3,018,381, the other operations for the week (no longer shown separately) raised the gross National Debt by £105,164,889 to £19,052 million.

NET ISSUES (£ thousands)		
P.O. and Telegraph.....	150	
War Damage Act.....	828	
Overseas Trade Guarantees.....	2	
Total.....	980	

NET RECEIPTS (£ thousands)		
Tithe Act.....	380	

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Dec. 4.....	1045.0	Not available	973.5	4351.6
1943				
July 31.....	1170.0	1899.1	309.0	3578.1
Aug. 7.....	1170.0	Not available	...	...
" 14.....	1170.0	...	...	...
" 21.....	1170.0	...	...	...
" 28.....	1170.0	1892.4	313.2	4420.6
Sept. 4.....	1170.0	Not available	...	...
" 11.....	1170.0	...	...	...
" 18.....	1170.0	...	...	...
Oct. 9.....	1170.0	3078.8	259.5	4452.8
" 16.....	1180.0	Not available	...	...
" 23.....	1190.0	...	...	...
" 30.....	1200.0	1872.3	326.5	4628.5
Nov. 6.....	1210.0	Not available	...	...
" 13.....	1210.0	...	...	...
" 20.....	1210.0	...	...	...
" 27.....	1210.0	1868.9	363.6	4760.5
Dec. 4.....	1210.0	Not available	...	...

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Dec. 4.....	75.0	158.9	75.0	20 1 27	29
1943					
Aug. 13.....	90.0	182.5	90.0	19 11 95	30
" 20.....	90.0	175.1	90.0	20 0 42	38
" 27.....	90.0	194.0	90.0	20 2 93	29
Sept. 3.....	90.0	200.4	90.0	20 2 40	26
" 10.....	90.0	193.3	90.0	20 2 57	29
" 17.....	90.0	183.6	90.0	19 11 10	41
" 24.....	90.0	188.8	90.0	19 10 97	37
Oct. 1.....	90.0	190.2	90.0	19 11 98	38
" 8.....	100.0	199.8	100.0	20 0 36	35
" 15.....	100.0	196.3	100.0	19 11 95	32
" 22.....	100.0	181.8	100.0	20 0 62	41
" 29.....	100.0	193.4	100.0	20 0 48	35
Nov. 5.....	90.0	213.1	90.0	20 0 04	23
" 12.....	90.0	197.5	90.0	20 0 29	27
" 19.....	90.0	190.4	90.0	20 0 23	29
" 26.....	90.0	197.1	90.0	20 2 93	30
Dec. 3.....	90.0	201.0	90.0	20 2 19	23

On Dec. 3rd 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 25 per cent of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on Dec. 10th. For the week ending Dec. 11th, the banks will be asked for Treasury deposits to the maximum amount of £90 millions.

1943 FEB 1943

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5234

REGISTERED AS
A NEWSPAPER

DECEMBER 18, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Shall We be Poorer? - - - 801

California Boom - - - 810

Power and Fear - - - 803

Germany's Metal Problem - 815

India's Economic Needs - 804

Accident Insurance in War - 816

NOTES OF THE WEEK - - - 806

THE BUSINESS WORLD

BUSINESS NOTES - - - 817

AMERICAN SURVEY - - - 810

California Boom; Third Party Threats; Another
Blitz?; NAM and the Future; Manpower Politics;
Inflation and National Unity.

THE WORLD OVERSEAS - - - 812

The Confession of a Quisling; "Co-Prosperity"
Takes Shape; Hungarian Supplies; Germany at War.

COMPANY MEETINGS - - - 822

RECORDS AND STATISTICS - - - 828

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE. TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £2.3.

Shall We Be Poorer?

"FOR some years to come we shall be a nation poor in wealth, though we shall be rich beyond any dreams of the past in reputation." The quotation is from Lord Woolton's speech in the House of Lords on Wednesday of last week. It was given prominence by the BBC and has been much discussed in the press. Taken together with a remark in very similar vein in General Smuts's speech to the Empire Parliamentary Association, it has left on the public mind the impression of a settled official view that post-war Britain will be a poorer country, in material terms, than pre-war Britain. That is not what Lord Woolton said—he used the word "poor" without comparison of time or space, and his phrase "for some years to come" might mean two or twenty years—but it is what he has been taken as meaning.

It is a natural enough conclusion for the man in the street to come to. The economic waste of war is all too clearly visible, and at first sight nothing is more obvious than that this vast outpouring of wealth will leave the community poorer. Poorer than it might have been by this time if there had been no war—so much is true as well as obvious. But that the community will, after the war, be both absolutely and permanently poorer than it was is by no means either obvious or true. It is very essential that the simple-minded assumptions of the man in the street (and, apparently, of Ministers) should be put right.

There will, of course, be a period of transition during which the standard of living of the people will be below

pre-war level. The country cannot bound back to peacetime conditions in the twinkling of an eye. There will be a period during which a very large part of the nation's manpower, its materials and its mechanical equipment will be still absorbed by their wartime uses or in process of transfer and sorting out. During this period the resources available for purposes other than war—whether they are the consumption of the people, the raising of housing standards, capital development or anything else—will be less than normal. In a word, we shall be poorer. But this is so obvious that it hardly needs stating and certainly lends itself to no dispute. The transition period may very well be shorter than is now generally believed—the three years that has been widely mentioned may prove to be a very generous allowance.

The real interest, and the real argument, attach to what happens thereafter. What will the British national income, in real terms, be in, say, 1948 and in subsequent years? If Lord Woolton's remark was intended to have anything more than platitudinous content it must be taken as applying to this post-transition period. The sentences immediately preceding it in his speech were as follows:

May I remind your Lordships that we have vastly increased our internal debt, on which interest must be paid? In carrying out this war we have sold or pledged much of our investment overseas, on the interest of which we depended so much for our imports. Our wealth has been destroyed, our ships have been sunk, our towns have been burnt and broken.

OVERSEAS BANK RETURNS

SOUTH AFRICAN RESERVE BANK

Million £'s	Oct. 23, 1942	Oct. 8, 1943	Oct. 15, 1943	Oct. 22, 1943
ASSETS				
Gold coin and bullion	69.78	78.99	79.72	80.45
Bills discounted	1.02	13.18	13.10	12.24
Invest. and other assets	64.06	87.14	87.65	87.57
LIABILITIES				
Notes in circulation	33.83	47.04	45.94	45.86
Deposits: Government	5.55	5.23	7.54	8.64
Bankers'	85.12	117.30	117.90	116.05
Others	6.14	5.50	5.04	5.66
Reserve ratio	53.6%	45.2%	45.4%	45.7%

AUSTRALIAN COMMONWEALTH BANK—Million £'s

Million £'s	Sept. 21, 1942	Sept. 6, 1943	Sept. 13, 1943	Sept. 20, 1943
ASSETS				
Gold and English ster.	29.11	37.64	37.64	38.27
Other coin, bullion, etc.	9.60	10.44	10.84	11.13
Call money, London	33.95	48.05	47.56	47.59
Secur. and Treas. bills	131.22	211.06	216.06	221.67
Discounts and advances	23.35	21.12	19.77	20.52
LIABILITIES				
Notes issued	111.11	148.01	148.51	149.01
Deposits, etc.	143.33	169.57	171.55	171.34

U.S. FEDERAL RESERVE

Million \$'s	Dec. 3, 1942	Nov. 18, 1943	Nov. 26, 1943	Dec. 2, 1943
12 U.S.F.R. Banks				
Gold certifs. on hand and due from Treasury	20,555	19,803	19,784	19,738
Total reserves	20,804	20,250	20,225	20,203
Total cash reserves	231	319	310	307
Total U.S. Govt. secs.	5,140	9,832	10,364	10,447
Total bills and secs.	5,164	9,877	10,423	10,551
Total resources	27,630	32,297	32,439	32,619
LIABILITIES				
F.R. notes in circ.	11,808	15,974	16,131	16,343
Excess mtr. bank res.	2,500	1,100	1,040	1,100
Mr. bank res. dep.	12,840	12,630	12,402	12,562
Govt. deposits	94	407	479	275
Total deposits	14,234	14,384	14,620	14,466
Total liabilities	27,630	32,297	32,439	32,619
Reserve ratio	79.9%	68.7%	65.8%	65.6%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,743	22,096	22,081	22,065
Treasury & bank currency	3,381	4,101	4,101	4,101
LIABILITIES				
Money in circulation	14,848	19,559	19,726	19,940
Treasury cash and dep.	2,337	2,700	2,774	2,574

RESERVE BANK OF INDIA

Million rupees	Nov. 20, 1942	Oct. 29, 1943	Nov. 5, 1943	Nov. 12, 1943	Nov. 19, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	170	136	128	119	171
Balances abroad	847	1,404	1,389	1,422	1,552
Sterling securities	3,548	6,748	6,848	6,899	6,848
Ind. Govt. rup. secs.	1,324	583	583	583	583
Investments	66	68	72	74	75
LIABILITIES					
Notes in circ.: India	5,378	7,821	7,906	7,946	7,947
Reserve in Burma	4	27	3	3	3
Deposits: Govt.	19	599	640	658	678
Bankers	647	718	664	699	608
Reserve ratio	72.8%	90.9%	91.2%	91.3%	90.4%

BANK OF CANADA

Million Can. \$'s	Nov. 4, 1942	Oct. 27, 1943	Nov. 3, 1943	Nov. 10, 1943
ASSETS				
Reserve: Gold	0.5	57.37	59.59	29.73
Other	147	147	147	147
Securities	990.4	1179.18	1249.33	1250.03
LIABILITIES				
Note circulation	664.4	834.44	840.09	839.94
Deposits: Dom. Govt.	71.0	65.65	138.73	80.42
Chartered banks	276.4	302.06	316.34	355.55

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

CENTRAL BANK OF IRELAND

Million £'s	Nov. 6, 1943	Nov. 13, 1943	Nov. 20, 1943	Nov. 27, 1943
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	22.15	22.15	23.15	23.40
Sterling balances	2.10	1.91	1.47	1.38
LIABILITIES				
Notes in circulation	27.09	27.38	27.40	27.56

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1942			1943							
		1929	1932	1939	1940	1941	1942	Aug.	Sept.	Oct.	Apr.	May	June	July	Aug.	Sept.	Oct.	
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	183	187	191	201	203	202	205	...	...	...	...
2.	" unadj. F.R.B.	"	110	58	108	122	155	181	183	187	193	195	201	204	203	207	...	...
3.	Manufactures, dur. adj. F.R.B.	"	132	41	109	138	193	250	258	265	275	301	303	302	304	...	...	
4.	" non-dur., adj. F.R.B.	"	93	70	108	113	135	141	140	142	144	147	147	147	147	...	...	
5.	Minerals, adj. F.R.B.	"	107	67	106	117	125	129	130	131	129	131	130	118	137	...	...	
Building contracts awarded:—																		
6.	Total, adj. F.R.B.	1923-25=100	117	28	72	81	122	166	182	179	185	63	52	45	44	59	60	...
7.	Residential, adj. F.R.B.	"	87	13	60	72	89	81	65	70	83	33	31	32	36	35	33	...
8.	Other, adj. F.R.B.	"	142	40	81	89	149	236	278	268	289	87	68	55	50	79	81	...
9.	Freight-car loadings, adj. F.R.B.	1935-39=100	152	78	101	109	130	138	143	136	133	141	141	133	146	146	140	...
10.	Dept. store sales, adj. F.R.B.	1923-25=100	111	69	90	94	110	124	130	123	128	128	125	129	148	138	132	...
Employment:—																		
11.	Non-agricultural, adj. F.R.B.	'000	...	...	29,757	30,992	34,409	36,986	37,433	37,645	37,962	38,478	38,222	38,345	38,281	38,054	37,686	...
12.	" unadj. B.L.S.	"	...	...	29,757	30,992	34,409	36,976	37,802	38,348	38,478	38,336	38,262	38,485	38,370	38,295	38,263	...
13.	" adj. F.R.B.	1939=100	106.0	77.6	100.0	104.2	115.6	124.3	125.8	125.5	127.6	129.3	128.2	128.9	128.6	127.7	126.8	...
14.	Factory, adj. F.R.B.	"	106.1	77.6	100.0	107.5	132.1	152.3	157.1	156.9	158.9	168.5	168.2	168.7	169.5	168.8	167.8	...
15.	" unadj. F.R.B.	"	106.1	77.6	100.0	107.5	132.1	152.3	157.1	156.9	158.9	168.5	168.2	168.7	169.5	168.8	167.8	...
16.	" payrolls, unadj. F.R.B.	"	119.8	60.7	100.0	114.5	167.5	242.2	254.8	261.8	270.9	309.7	313.5	317.9	315.5	322.1	320.2	...
17.	Average hours, B.L.S.	Number	...	...	...	...	...	...	42.8	42.4	43.6	45.0	45.0	45.2	44.5	45.0	45.0	...
18.	" hourly earnings, B.L.S.	Cents	...	...	...	...	...	...	86.4	88.6	89.3	99.4	95.4	95.9	96.3	96.8	96.8	...
19.	Cost of living, F.R.B.	1935-39=100	122.5	97.6	99.4	100.2	105.2	116.5	117.5	117.8	119.0	124.1	125.1	124.8	123.8	123.5	123.9	...
Wholesale prices:—																		
20.	Farm products, B.L.S.	1926=100	104.9	48.2	65.3	67.7	82.4	105.9	106.1	107.8	109.0	123.9	125.7	126.2	125.0	123.5	123.1	...
21.	Foods, B.L.S.	"	99.6	61.0	70.4	71.3	82.7	99.6	100.8	102.4	103.4	108.4	110.5	109.6	107.2	105.8	105.1	...
22.	Other commodities, B.L.S.	"	91.6	70.2	81.3	83.0	89.0	95.5	95.6	95.5	95.5	96.6	96.7	96.8	96.9	97.1	97.2	...
23.	Wholesale com. prices, unadj., F.R.B.	"	95.3	64.8	77.1	78.6	87.3	98.8	99.6	103.4	100.0	103.7	104.1	103.8	103.2	103.2	103.1	...
Bank Debits:—																		
24.	Total, all reporting centres	Million \$	81,878	...	35,328	37,155	44,783	50,589	51,989	55,701	58,334	73,661	64,246	65,894	65,347	...	...	...
25.	New York City	"	50,257	...	14,265	14,299	14,810	17,580	18,342	19,919	19,823	23,193	25,737	25,464	23,976	...	...	...
26.	Gold stock	"	3,996	3,952	17,644	21,995	22,737	22,726	22,755	22,754	22,740	22,473	22,426	22,388	22,355	...	...	...
27.	Money in circulation	"	4,476	5,328	7,171	7,901	9,816	...	13,200	13,703	14,210	16,660	17,114	17,421	17,955	...	...	...
28.	Member Bank Res. Balances	"	2,358	2,114	10,468	13,331	...	...	12,338	11,592	12,735	12,204	12,031	12,085	12,590	...	...	...
29.	Excess Reserves	"	43	256	4,106	6,376	...	...	2,143	1,690	2,644	2,315	1,728	1,212	1,298	...	...	...
30.	Capital issues, C.F. Chronicle	1939=100	595	99	186	163	238	89	103	45	28	36	44	41	51	...	...	...
31.	354 Indus. securities, Stand. Statistics	"	3.60	3.66	2.36	2.21	1.95	2.02	2.02	2.03	2.05	2.02	1.92	1.85	1.82	...	...	...
32.	Based on Govt. bonds, adj.	1935-39=100	122.9	70.6	105.5	113.8	137.3	169.4	176.2	178.4	183.0	207.3	208.7	211.5	213.8	...	...	...
33.	Income payments, adj.	Million \$	4,032	2,076	5,595	7,606	8,269	13,668	797	2,528	648	1,555	1,742	4,569	2,048	3,005	5,448	...
34.	Treasury receipts	"	...	...	...	...	...	...	4,884	5,384	5,481	6,974	7,092	7,469	6,432	7,232	7,652	...
35.	" expend., national defence.	"	...	...	...	...	...	...	5,215	5,931	5,937	7,466	7,435	8,327	7,132	7,617	7,935	...
36.	" total	"	3,852	4,208	9,528	12,774	12,711	32,397	...	...	...	...	...	...	...	...	...	...

Lord Woolton was again careful not to say that these were the reasons for his conclusion, but no other construction can well be put upon them. One of his reasons—the higher total of the internal debt—is, of course, almost entirely fallacious. A large internal debt creates difficult technical problems for the Chancellor of the Exchequer. He has to devise means whereby larger sums of money can be abstracted from one of the community's pockets—its taxpaying pocket. But the whole of the sums thus raised goes back into another of the community's pockets—its debt-holding pocket. The annual service of the national debt consumes no real resources of labour or materials, except for the few score additional clerks required in the Bank of England. It can be a real impoverishment of the community only if it leads the Chancellor of the Exchequer to impose taxation in a form that is crippling to industry or enterprise.

The rest of Lord Woolton's reasons—the lost investments, the destroyed wealth, the sunk ships, the blitzed towns—are real enough. The problem is to know what effect they will have. Some guidance may be drawn from the experience of the last war. The destruction of wealth was of roughly the same order of magnitude; if there was less material damage, there was a far greater loss of skilled manpower. Two estimates are available of the comparison between the pre-war national income of the British community and the level to which it was restored after the transition period had elapsed. Professor Bowley and Lord Stamp estimated in 1927 that "the total social real income of Great Britain and Ireland increased 1 or 2 per cent in the thirteen years 1911 to 1924, while the income per head diminished 5 per cent." They point out that these results were achieved in spite of the fact that "in 1924 unemployment resulted in a loss of about one-twentieth of the possible output in addition to the loss in 1911, and the working-week was about one-tenth shorter." According to Mr. Colin Clark's estimates, the output per person actually in work in 1924-27 was about 7 per cent higher than in 1911-13, and the output per head of the population of working age (including the unemployed) was almost identical. These two estimates are in rough agreement. They can be broadly summarised by saying that the post-war British community produced about as much material wealth as it did before the war, in spite of reduced hours of labour and increased unemployment. Without these two factors, the material income might have been 10 to 15 per cent higher.

There is no reason to suppose that the circumstances of last time will exactly reproduce themselves. But the guiding principles of the matter are still the same. A nation emerging from a war can produce as much as it did before unless there has been a substantial reduction in the quality or quantity of its manpower; or there has been a substantial reduction in its capital and industrial equipment; or the war has brought about such large dislocations that part of the labour force is compelled to stand idle. The wealth shot out of guns or blown up from the air is relevant to the problem only in so far as it affects these three factors. There have been losses under each of the three headings. But they were not enough after 1918 to prevent the resumption of the pre-war standard and there is no very apparent reason why the result should be very different this time.

The manpower position looks as if it will be more favourable this time than last—unless there are very heavy and long-continued casualties still to come. Under the heading of capital equipment, there have been large drafts on the privately-owned domestic capital of the country—£395 millions' worth in three years—but the Government has certainly spent more than this on new capital facilities, and though these are primarily designed to serve the purposes of war, it may well turn out that the country is, on balance, better equipped, not worse, even for the different purposes of peacetime production.

The two great question marks are those that must be set against employment and foreign trade. Before unemployment can make the nation poorer than it was in 1938, it will have to be larger than the 1,800,000

of that year, and it is not perhaps expecting too much from the prospective Full Employment policy to hope that it will do considerably better than that. Unemployment was one of the factors which tended to make the national income of 1924 less than that of 1914; it is reasonable to hope that this time it will be one of the factors making post-war income greater than pre-war.

There is an admitted—indeed, an all too obvious—risk of difficulty in procuring after the war the full volume of imports that the British community requires. The simple result of any such difficulty would be unemployment in the export industries. But there might be compound dislocation if failure to secure adequate supplies of those foods and raw materials, which are only obtainable from overseas, were to interfere with the activity of industries depending on these imports. The question is whether these calamities are likely to happen. Before the war, British imports amounted to rather less than £1,000 millions a year and were paid for, in rough terms, as to three-fifths by exports of goods and as to two-fifths by investment income and the sale of shipping, insurance, banking and other services. It is surely not too optimistic to believe that it will still be possible after the transition period, to pay for 60 to 70 per cent of the pre-war volume of imports. (This does not mean that the pre-war markets for export goods will automatically return; but neither will the invisible income have entirely disappeared.) To expect anything worse than this is to assume that experience after this war will be even worse than it was after the last war, in spite of the long string of cardinal errors (such as internal deflation, external over-valuation and technical apathy) then committed. The risk of difficulty, rationally regarded, thus relates to the remaining two-fifths or one-third of British imports—that is, to a volume of trade which amounted before the war to some £350 to £400 millions, or round about 7 per cent of the gross national product. This simple proportion does not, of course, tell the whole story. But, even if it comes to the worst, it should be possible to secure that all imports which either cannot be replaced at all from domestic production or which can be so replaced only at very heavy cost, are given a prior claim on the foreign exchange available. Success or failure in reorganising Britain's economic relationships with the outside world may very well determine whether the national income of 1948 is slightly greater or slightly less than that of 1938. It is most unlikely that, on this account, we shall be substantially poorer.

If the same quality of management can be applied to these two great problems of full employment and expanding overseas trade as has been applied to the problems of war economics in the past four years, there is no reason why the national income of 1948 should not be larger than that of 1938, possibly by as much as 10 per cent. This is a more conservative figure than that reached by Mr. Kaldor in an article in the April issue of the *Economic Journal*. Even so, it will doubtless strike many people as a very optimistic conclusion. Three qualifying remarks may therefore be appropriate. The first is that this suggested increase of 10 per cent is no better than the increase between 1914 and 1924 would demonstrably have been if there had been no reduction in working hours and no increase in unemployment. The second is that not all of the 10 per cent will accrue to the standard of living of the people; Government activity and capital formation can both be expected to require more of the community's resources than they did in 1938.

Thirdly, an increase of these dimensions will not mean that the war has left no permanent cost to be borne by the British people. Without a war, but with a successful employment policy, the British national income in the 1938-48 decade might have increased, not by 10 per cent, but by 20 or 25 per cent, almost all of which could have accrued to the standard of living of the people. The economic cost of the war will not be that we shall be poorer than we were. It will lie in the fact that we shall be poorer than we might have been.

Power and Fear

THE penalty of power is to be distrusted. Any very great nation has to reckon in its policies on the fears and suspicions of its smaller neighbours. It can, by adopting a really generous and constructive attitude, allay the fear to a very large extent. But the undercurrent remains. The example of the United States is obvious. Fear of "Yankee imperialism" is a perpetual strain in Latin American politics. Similarly, in Europe, after the war, Russia will have to deal with the problems created by its own massive power. Nations and groups do, in fact, fear Russia. It is the stock in trade of German propaganda. It is an unexpressed undercurrent in many peoples' thinking. When a statesman of the rank of General Smuts refers to Russia as a "colossus bestriding the continent" or "mistress of the Continent, the others down and out," he sets chords of fear vibrating everywhere. This war has shown, or rather, all the wars in Europe have shown, that if there is one thing the European peoples will not tolerate, it is to have any nation as their "mistress" or to be bestridden by anyone. If their inherent fear of domination is increased by the statements of responsible Allied leaders, their fears may lead them at the worst into irresponsible action. At best, it will destroy the atmosphere of calm and confidence needed to reach even a minimum settlement in Europe.

General Smuts's statements raise two questions. Is his picture true? And, whether it is true or not, do the Russians behave as though it were true? There can be little doubt that the picture is exaggerated. In 1941, the English-speaking world had on the whole a very poor opinion of Russia's military and industrial efficiency and a fantastic belief in German invincibility. The great Russian victories this year have led to a violent reaction. It is now Russian power that seems invincible. This is a natural psychological reaction, but it needs to be checked against the facts of Russia's economic position. In the past, the recurrent fears of the Russian "steam-roller" have been based on Russia's manpower. Manpower does not win wars, as China, with its even more abundant manpower, has shown. Machine-power is decisive. The strength of the Russian "colossus" is a function of its industrial power. That power has increased enormously in the last twenty years and will almost certainly increase enormously in the years to come, but for the next decade there are very solid reasons for supposing that it will not be on the gigantic scale envisaged by General Smuts.

The Russian economy before the war stood in industrial wealth and strength between China and the Western Democracies. Before the war, according to official Russian statistics, Russia was well behind the West in output per head of the population. For example, in 1937 the figures

for electricity were (in kilowatt hours per head of population) 215 for Russia, 608 for Britain, 735 for Germany and 1,160 for the United States; for steel, 105 kilograms for Russia, 279 for Britain, 291 for Germany and 397 for the United States.

During the war, Russia's industrial capacity has been directed almost solely to the war. Coming on top of nearly ten years' preparation for war, this has meant a lopsided development of the Russian economy. The Guns or Butter dilemma has been resolved almost entirely in terms of Guns. The result of this is obvious. Russia's capacity for fighting does not reflect its comparative productive and industrial position. It represents a unique and supreme exertion which almost certainly cannot be sustained in the immediate post-war years. The Russian people cannot stand it. There will have to be a more balanced development, more Butter even at the cost of fewer Guns.

Two wartime factors have further complicated Russia's immediate postwar problem. One is the mass evacuation of industry to the east. It is in this way that most of the additional capacity was secured. But under the conditions of exodus and haste, the plant and the machines and the workers themselves are operating with a high degree of wastage. Much of the construction was necessarily provisional. Many of the installations are wearing out. An enormous work of consolidation and replacement lies ahead before the new industrial areas can be brought to full standards of peacetime efficiency. The other factor is the devastated areas. So far only the most essential services and some coal mining have been restored. Even so, these limited demands have already clashed with the needs of the armaments industries, so narrow is the margin. Machine tools, in particular, are a serious bottleneck.

The position in agriculture shows the same strain. Tractor stations are without machines. Only last week the underlying crisis came momentarily to the surface with the dismissal of the Soviet Commissar for Agriculture, M. Benediktov.

Russia's power is growing and will be very great, but to speak of a colossus bestriding Europe is the language of fantasy. The evidence suggests that the Russians themselves take a far more sober view of their own position. They have in a variety of ways shown their anxiety to maintain close relations with Britain and the United States—by the abolition of the Comintern, for example, and their readiness to delay the signing of the Russo-Czech Pact until the wider settlement at Teheran had been reached. In their relations with some of their smaller neighbours, they have shown moderation. The Declaration on Iran, guaranteeing full political and economic sovereignty is their answer to Germany's

For Insurances of all kinds

ALLIANCE

ASSURANCE COMPANY LIMITED
OF BARTHOLOMEW LANE, LONDON, E.C.2

Custodian of the Future

The Alliance undertakes the duties of
Executor and Trustee and of Trustee
for Debenture Issues.

HEAD OFFICE: TEMPORARILY AT KIDBROOKE PARK, FOREST ROW, SUSSEX.



whispering campaign about Russia's "advance to the Persian Gulf." In recent months, relations between Russia and Turkey have become far more frank and cordial, and the willingness of President İnönü to associate himself not simply with Britain but with all the United Nations at Cairo, and to discuss political as well as military problems, is almost certain proof that Turkish fears—partly traditional, partly stimulated by the 1939-41 interregnum—have been stilled. Mr Eden told the Commons that he had good reason to hope that the Cairo talks "established a sound basis for future co-operation between" Britain, Russia, Turkey and the United States. Now the signing of the Russo-Czech Pact with its guarantees of friendly collaboration and non-interference in the internal policies of the two nations can be another stabilising factor. In particular, the protocol which invites Poland to join the partnership, gives it a regional character which, if it is followed up, would widen the Pact into a general instrument of security.

All this points in a constructive direction towards the only policy in which power can be applied without bringing fear—a good neighbour policy between the Great Powers and a good neighbour policy with the smaller nations. However, until the findings of Teheran are made public, it is difficult to say whether Russia's various initiatives and reactions add up to a comprehensive policy in European politics. The first and obvious obstacle is the Polish problem. There is no need here to underline the dangers. They have been analysed often enough. Diplomatic relations have not been renewed and intransigence is apparently growing on both sides. Yet the interests of the two nations are in many ways identical. The Russo-Czech Treaty stresses the need to counter any future *Drang nach Osten* and underlines this as a common Slav responsibility. The Poles must know that their security cannot be achieved in hostility to both Germany and Russia. They have to choose, and Hitler has largely determined their choice. The Russians, to be secure on their western frontiers, equally need a friendly Poland if their *cordon sanitaire* against a possibly resurgent Germany is to hold. The Russo-Czech Pact itself, to be militarily effective, demands Polish collaboration. Yet one thing is certain; if both sides abide with obstinacy by their maximum demands, the breach will not be mended. Concessions there must be, and Russia, as infinitely the more powerful partner, should make the preliminary gesture as generously as possible—and as soon.

To achieve a Polish settlement would go far towards

The Indian Prospect—I

India's Economic Needs

DEFENCE, famine and its aftermath of disease are the chief preoccupations in India at the present moment. No new political negotiations for a settlement of the constitutional problem have been started. This does not necessarily mean, however, that no political progress whatever is being made. In India, some observers believe that the parties are more ready to seek an agreement among themselves than they were when Sir Stafford Cripps made his fruitless journey. In Britain there is renewed discussion of the possibilities of such an agreement, and of the problems, economic as well as governmental, which it must solve.

It is not possible for an observer in this country, however well informed, to assess the likelihood of Indian agreement if brought suddenly to the point—by, say, the trial or release of the Congress leaders and some new constructive initiative on the part of the British Government. It is possible, however, to stare in outline the tasks, material and political, which confront all concerned in India's future. The fact of famine, and the important economic consequences of the war upon Indian life, have caused recent discussions to start with India's economic needs. Broadly, three questions are being asked. What kind of reconstruction programme is required to mitigate and remove Indian poverty? What kind of Indian

guaranteeing postwar peace. It would not go all the way. At the heart of the European problem is the question of Germany, and here, too, in the long run, power in isolation from more politic methods is no solution. A settlement which attempts merely to hold Germany down for all time and makes no provision for the eventual re-integration of Germany into the European political system, will not work. An Anglo-Saxon power bloc on the West and a Russian power bloc on the East might have come into existence with the same purpose, the policing of Germany. But so long as they were separate power blocs, events would drive them apart. Even a difference as innocent as a divergence of opinion on the degree of severity to be shown to the defeated enemy would be enough to arouse suspicions. Where there is gigantic power at stake, no country can take any risks; it is compelled to take its most absurd suspicions seriously. The danger inherent in bloc building is not necessarily the aggressive intentions of either bloc. It is the mutual fear generated by the mere fact of their massed power. The only solution which avoids this danger is that the policy to be pursued towards Germany—and that means towards Europe as a whole—shall, in the short and in the long run, be not merely vaguely "agreed" and applied individually in separate "zones," but a single policy, jointly arrived at and jointly applied. Europe can be led by Britain and Russia but not divided between them or bestridden by them. On their policy towards Germany, all the Powers have been remarkably silent. The hints that have come out are not reassuring. Mr Eden in the Commons added nothing to public enlightenment on this or any other point.

The solution of the problem inherent in power, whether in Russia's single power or the overwhelming power of what General Smuts called the "Trinity," lies only in clear and unequivocal guarantees of how that power will be used. Insofar as the policies of Russia, Britain and the United States remain ambiguous, fear will remain to create the tensions and manoeuvrings and unilateral actions which can at any point in a peace settlement undo all the patient work that has been accomplished so far. If the Teheran Conference has increased the fear and foreboding in Germany it has done half its task. Only when its results have banished fear among the smaller Allies in Europe can its work be really complete. This is a Russian responsibility. It is as much a British and American responsibility. Only the powerful can banish fear and it is their only hope of lasting peace.

Government is needed to carry out such a programme? Will the kind of Indian Government that seems politically likely be capable of doing the job?

It is the purpose of this and a subsequent article to indicate some of the answers that have recently been given to these questions. So far as it has gone, the discussion seems to have reduced itself to a dilemma. On the one hand, it is argued that, economically, India requires a strong central Government, based upon recognition by the provinces and states of the country's fundamental economic unity. On the other hand, it is argued that, politically, a weak central Government, recognising the separate claims of provinces, states and communities, is more likely. Dilemmas are not new in the latest Indian chapter. Before the famine jerked the discussion back to Indian poverty, the most conspicuous feature in the Indian scene appeared to be the paradox between the unanimous wish of Indians to see India independent and their almost equally unanimous disinclination to agree upon the form of freedom.

The annual income of India has been estimated at Rs. 2,500 crores (£1,875 million), of which a fifth is derived from industry and four-fifths from agriculture. This amounts to just over £4 per head of India's vast population. In India are found the richest and the poorest persons

in the world, all Indians. The Indian worker lives for a year on what the British worker spends on cigarettes. As the famine shows, the first need is to make more of India's soil, to produce more food and to enable the many impoverished millions either to grow or buy it. The development of Indian agriculture depends upon large improvements in its capital equipment and in the organisation of production, marketing and distribution. It depends, too, upon the removal of the great weight of debt incurred by peasants and labourers in their unending effort to keep alive in bad and good seasons; and thus upon the provision of credit assistance.

The war, which has seen privation turn to famine, has not helped Indian agriculture. Indian industry, in many branches, has been much assisted. An industrial expansion has taken place under the stimulus of war requirements. But the need for increasing agricultural production side by side with industrial output has been neglected. Expenditure by the Government on "Grow more food" campaigns during the war has been less than Rs. 2 crores (£1,500,000). Owing in part to shortage, and in part to inflation, farm prices have risen high above what the overwhelming majority of Indians, without food of their own, can pay; in some provinces, cattle prices, for instance, are five times what they were before the war. The wretched state of Indian agriculture is illustrated by the minute quantities of fertilisers used. At the beginning of the war, while Denmark consumed 226 lb. of artificial fertiliser per square mile, and Britain 178 lb., Indian consumption was 0.06 lb. per square mile. Even so, Indian production of fertiliser was less than a tenth of annual consumption. Soil erosion has become a real danger in some areas; and similarly, war demands, made on inadequate pre-war resources, have seriously endangered Indian supplies of cattle and even timber. It is not hard to see the underlying causes of the famine.

The war cannot, however, be dismissed as wholly disadvantageous, economically, to India. The gain in industrial production is real. Employment and wages have been high. Moreover, India has been enabled by the way in which the Indian war effort has been financed, mainly from British resources, to discharge its large public debt, and to accumulate sterling assets, which represent Britain's biggest war debt. This method of financing has, of course, caused considerable current damage to India. Purchasing power has been multiplied, while stocks of goods for civilian purchase have been exhausted or sharply reduced; the currency in circulation has risen from Rs. 60 crores in August, 1939, to Rs. 800 crores last month—in part an indication of much greater economic activity, but in part simply a reflection of harmful inflation. Nevertheless, India's new sterling assets, solely the consequence of the war, the proceeds of the sale of Indian materials for war purposes and of British war financing, provide a peace chest for Indian reconstruction.

There is much talk among Indians about reconstruction. In sum, the argument is as follows: more output must be obtained from Indian agriculture with the use of less labour. At present three-fifths of India's employed population, and a very much larger proportion of the occupied population, are entirely dependent, at subsistence level at best, on agriculture. The proposal is that, in the first decade of reconstruction, acreage should be increased by a quarter, output by the same or more, while farm manpower is reduced by the same proportion. Work must, therefore, be found in manufacture for the peasants and labourers released. It is by the simultaneous increase of productivity in both agriculture and industry that the first steps in the solution of Indian poverty are, rightly, seen. As part of a ten year plan, the period mostly discussed, the task is very large. Not the least trouble during the past ten years has been that the increase in Indian population has been out of all proportion to the increase in India's annual income. Even a programme that, say, doubled the national income in a decade might be cancelled out by the flood of births; such a rapid rise might bring in new factors to arrest the increase in population, but the planners would do well to recognise that there can be no certainty that the vicious Malthusian circle can

be broken, no guarantee that productivity will outstrip population, even under the boldest reconstruction policy, unless the increase in population can be slowed down.

Thus the goal is the production, *pari passu*, of more food and more goods. Briefly, it means a swift increase in horsepower per head in both branches of Indian economy. In agriculture it requires the provision of new tools and new machinery and instruction in new methods of farming. In industry it requires not only the continued expansion of certain heavy industries, but also the development of chemical, electrical, metal and automobile industries, distributed through the Indian provinces according to transport and markets. One aim set out by Indian economists is to increase industrial output from Rs. 500 crores to Rs. 2,000 crores annually within ten years; and always, when accused of over-ambition, they point to Soviet Russia, which invested the equivalent of Rs. 2,000 crores in co-operative industries alone in 1933.

The Russian precedent is ever present in Indian arguments, and is pertinent. To escape from the morass of poverty, the Indians, like the Russians, require to go through an agricultural and industrial revolution in a fraction of a lifetime. The ten year plan they envisage includes the doubling of Indian roads and the increase by a third of Indian railways; the development of power and hydro-electricity; and the building of docks, harbours, irrigation works and canals. The cost of such a programme has been estimated at Rs. 600 crores (£450 million) for financing industrial projects and agricultural improvements; and it is believed and hoped, by Indians, that a great part of this sum might be secured at home, as in Russia, where saving was forced by Government policy. Indeed, there is a strong protectionist and isolationist tone among Indian planners. They seek to build up their industries behind high tariffs, to strive for a permanent foreign surplus in India's balance of payments.

It is, of course, very doubtful indeed whether this is the right road to success. If India's postwar sterling assets are to be the basis of the reconstruction programme the entry of imports in large quantities is essential. India will be dependent in its rebuilding upon foreign material and foreign machinery, as indeed Russia was. The precedent of America in the nineteenth century is as apt as the precedent of Russia, and it was by the entry of foreign capital that the transformation of the United States into a great industrial power was hastened. Russia was compelled to squeeze its capital out of the standard of living of its own people. India is in the much more favourable position of being able to get it from overseas, much of it without cost. The short commons upon which the Russian people have been compelled to live during the self-dependent remodelling of Russian industry and agriculture offer the prospect of little relief to the poor of India, if the road of self-sufficiency is sought. Even the Indian planners admit that "tariff policies must be so formulated as to encourage and attract investment capital."

It is plainly not possible to carry through such a programme of reconstruction without the establishment of a Government with sufficient powers to plan and act for India. It is at this point that economics and politics touch crucially. The advocates of a ten-year plan for India speak of an all-India Economic Council of experts and business men, working closely with the Development Department supplied with a General Economic Staff; provincial economic councils on the same model; and local councils, fitting into this national framework, in every district and city. Is it really possible for India so to settle its internal political, racial, religious and class divisions as to set up a structure of this sort and, still more important, to endow it with the tremendous powers over all parts of India and all branches of Indian life that it would require? Most Indians accept, in theory, the need for a strong central government; would they do so, equally, in practice? A following article will discuss the relation between the kind of government that India appears to need and the kind of government that appears to be politically practicable.

NOTES OF THE WEEK

France and Britain

The Germans have naturally made great play with General Smuts's crude and discourteous dismissal of France. By an unhappy coincidence, the text of his speech became known after two particularly heavy Allied air raids on the old Vichy zone—Toulon and Modane—where opinion is less formed on the question of raids than in the hardened north. The substance of German propaganda is simple. "See, the Anglo-Saxons bomb you flat while they are still at war. And what do they promise you afterwards? Extinction." Hostile comment is not confined to the French. In Switzerland, the point has been made, justly, that any policy for a strong and unified Europe demands the full collaboration of France and is inconceivable without it. Britain would be the first Power to suffer from the eclipse of France. No official protest has come from Algiers, but General de Gaulle in a very dignified speech, delivered in Constantine, accepted, and countered the implications of General Smuts's attack:

I do not hesitate to say that . . . our country measures completely the distance between the point where it stands today and the point it hopes to reach. France, which for two thousand years has lived a life of risk, used to catastrophe and the abyss and used, too, to glory and grandeur, knows how hardly and protractedly it will be necessary to fight, suffer and work in order to play its part in victory and rebuild its strength.

The more the French are chided and mocked, the more their reconnaissance may take on a violent, explosive and xenophobic stamp. It is Britain's interest in every way to foster a healthy resurrection, by understanding and encouragement, by believing with France's leaders in the possibility of resurrection. General de Gaulle's confidence in the lessons of French history is not misplaced. His words are almost an echo of the testimony given over a hundred years ago by a very great Frenchman, Alexis de Tocqueville:

Was there ever a nation on the face of the earth so full of contrasts and so extreme in all its actions . . . led therefore always to do either worse or better than was expected of it, sometimes below the common level of humanity, sometimes greatly above it . . . guided by a thread when no one resists, ungovernable when the example of resistance has once been given; always deceiving its masters who fear it either too little or too much; never so free that it is hopeless to enslave it or so enslaved that it may not break the yoke again.

Divided Italy

Little news comes from northern Italy. This week, however, riots have been reported from Pavia. The police arrested British prisoners of war who had escaped. The local population reacted violently and the governor was compelled to bring in a curfew. The incident is significant. Under the façade, the north of Italy is more active than the south. And the façade itself is pitiable. All the promised signs of the new Republican Fascist regime have failed to materialise. The regime has not even had the courage to proceed with the trial of its own "traitors." The promised tribunal has not sat. Ciano is still untried and unshot. The evidence—what there is of it—suggests that the disintegration of Fascism is complete. Significantly, the German authorities in Rome have arrested the regional secretary and forty members of the Roman *fascio*. Mussolini is a ghost. Even his name is evoked more and more rarely. In the south, in liberated territory, political divisions are shaping, and at least with some vigour and point. Bari radio, Badoglio's mouthpiece, has made appeals for the King, and it seems that the six parties are split on the question of the monarchy. They are to meet on December 20th, but the Liberals and the Christian Democrats (the *Popolari*) are sharply opposed to the anti-monarchical line of the other groups. They are not for Victor Emmanuel, but claim, with some reason, that this is the last moment to start mass agitation over a profound constitutional change. Nothing will be decided until Rome is reached. Meanwhile, the weather and the Appennines are effectively postponing the day.

Trade Possibilities

The danger of pretending that the impossible will be possible simply because it will be desirable has lately been

emphasised in discussions of Britain's economic policy after the war. Several critics, economists and politicians, have been urging that, in its negotiations with the United States, the British Government should not accept, in the name of international co-operation, the placing of any ban on regional arrangements with, say, the Empire, the sterling bloc, or western Europe. They do this, not because they are narrow internationalists or hard-bitten Imperialists—they include Mr Shinwell—but because the essential feature of any wise international agreement about currency, commerce or the exchanges, however unexceptionable its aims, is that it should be workable. It is desirable and, indeed, necessary in the national interest that we should trade as widely as possible with all countries; very largely the level of our standard of living, though not necessarily the level of employment, will depend in the future as in the past on the extent to which we can benefit from international division of labour. The British, above all, are free traders. But this does not mean that, in fact, a multilateral trading on a worldwide basis without restriction, will be possible; we may not be free to be free. In practice, regional trade or currency agreements and controls on imports and exchange may well be unavoidable, if only because of the very great difficulties that we and other countries are likely to experience in obtaining United States dollars. Encouragingly, this point has been stated afresh on the other side of the Atlantic. Without American understanding and co-operation, declares a recent publication of the Foreign Policy Association, Britain, the world's biggest importer and the United States' best customer, may be "forced to adopt a bilateral trade policy to survive"; and, judged by brief cabled reports, the author apparently means by "understanding and co-operation," a more liberal tariff policy and a programme of domestic full employment, both calculated to raise American demand for foreign goods, and so, the world's supply of dollars.

Sunday Entertainments Again

Questions to Sir James Grigg, Secretary of State for War, on Tuesday have again brought up the ridiculous position in which the country finds itself regarding Sunday entertainments. The Lord's Day Observance Society is now engaged in banning Sunday performances for the troops, by invoking the Sunday Entertainments Act, though, as Sir James Grigg said, no such restriction can be placed on the presentation of plays or entertainments in costume inside military camps. His questioner claimed, and Sir James Grigg agreed with him, that the discrimination between costume shows outside and inside a camp was ridiculous. But the Secretary of State for War was not altogether justified in claiming that the remedy is within the discretion of the House of Commons. It is quite true that the Home Secretary gave a lead on the matter: nearly three years ago and that the House rejected his proposal to allow Sunday theatres. But the decision was then reached by a free vote of the House, with the result that a vocal minority was able to obtain a majority for the occasion because there was no compulsion on members to turn up to vote. Most of those who voted against Sunday opening were too old to fight and were either members of the English squirearchy, who normally read the lessons in church on a Sunday morning and spend the afternoon and evening in their comfortable armchairs, or were representatives of the Scottish, Welsh and Irish Nonconformists. Since then, Mr Morrison has refused to reopen the matter again until he is convinced that a majority in the country and the House want it. This attitude is not up to his usual fighting tactics, and if the welfare of soldiers and civilians, at a time when war weariness is very widespread, is not to be left entirely at the mercy of a minority of cranks and reactionaries, it is his duty to present another permissive regulation—and, if it is opposed, to put the Whips on. The opinion of the country as a whole can be very simply tested. If there is no demand for Sunday theatres, they will quickly close again.

Bulgarian Scare

On the second anniversary of the declaration of war on the United States by Bulgaria, Roumania and Hungary, Mr Cordell Hull issued a solemn warning that unless these

states left the German camp, they would have to share the disastrous consequences of Germany's defeat. The warning, coming on top of the Teheran Conference, has behind it the weight of the three Great Powers; yet it is difficult to see how, until the military situation again develops dynamically, the smaller satellites can do much about it. Italy is still a plain example of what happens to a nation which tries to escape from the Axis while the Germans are still on its soil. The mass of the people cannot do much without a Badoglio; and Badoglios tend to arise only when invasion is imminent. It is significant that the strongest reactions to the Teheran and Cairo talks came from Bulgaria, which, if a joint Black Sea and Balkan operation were to be launched, would immediately come under fire. It was the report that President İnönü had gone to Cairo, taking only his Chief of Staff with him, that started some sort of a panic in Sofia. The Council of Ministers met; then the Sobranje was summoned to a secret session. The Government party held a meeting, followed by another meeting of the Government. Wild rumours circulated about the complete reshuffling of the Ministry, which would, among other things, remove the Foreign Minister, M. Shishmanov, from office. Axis sources reported peace demonstrations in the streets of Sofia. It is even possible that, in this extremity, the Bulgarian Government did attempt to send a peace-feeler to the Allies. However, the crisis came abruptly to an end when President İnönü stepped smiling and calm from his Cairo aeroplane. Immediately the word went out that Turkey was not coming into the war, "for the time being at any rate." The President and M. Menemenjoglu spoke of full understanding and complete accord, but stressed Turkey's non-belligerency. The Bulgarians felt that they still had a respite, even if only "the hundred days" referred to by American journalists returning from Turkey. With the fear of invasion lifted for the time being their political pulse returned to its customary sub-normal.

Missions to Tito

The Yugoslav Government in Cairo still refuses to see anything but treason in the widespread military activities of the Tito groups. If the young King persists in keeping to such poor counsellors, he may lose any hope of identifying himself with his people. His Cabinet has even addressed reproaches to Britain for giving military support to the partisans. The truth is that the Yugoslav Cabinet in Cairo is, apart from the King, rapidly rendering itself completely irrelevant. Meanwhile neither Britain nor Russia has recognised Tito's political claims. They are now confining their support to military matters. Russia is now to send a military mission which will have as its opposite number the British mission which Brigadier Maclean, MP, established last spring. For the future, it is to be hoped that all parties will abide by the three principles laid down by Mr Eden in the Commons—full support for all military activity directed against the Axis, full freedom of the peoples, unweighted by prior commitments, to choose their own form of government when the time comes, and full loyalty to all Allied nations. The difficulty in all this is, of course, the exact location of the *pays réel*. It is a question which cannot of its nature be settled in time of war.

The Influenza Epidemic

Unlike the weather—except in the Straits of Dover—epidemics are not censorable, and the press is allowed to discuss the present outbreak of influenza with impunity. Inevitably, comparisons have been made with 1918. Then, the epidemic began a month or so earlier, but it came at a similar stage, chronologically, in the war. There, however, the comparison ends. In 1918, the epidemic was virtually world-wide, and was devastating in its destruction of life. Ten million deaths is an estimate that has been accepted authoritatively. To-day, it is reported that there is an epidemic in the United States, but no reports yet of one on the continent of Europe—with the exception of reports of "cellar flu" in Berlin—or in Asia or the southern Dominions. The nature of the disease is also incomparably milder. The Registrar-General's return for the 126 great towns of England and Wales shows that influenza deaths in the week ended December 4th totalled 709, compared with 375 in the preceding week and 31 in the first week of November. The returns published this week-end will probably show a total of about 1,000, which compares

with the 1937 epidemic's peak of 1,155. In spite of its mildness, however, influenza sufferers need medical attention and nursing, and for the first time since the war began the reduced medical facilities available for civilians have been severely tested. In general, doctors have been able to cope with the situation, but in parts of the country they badly need help, and the Minister of Health announced last week that Service doctors would be available, so far as their military duties permit, if county medical officers of health get into touch with the ADMS for their area, and with the secretary of the Local Medical War Committee. This scheme has been urged for a long time now. But, unfortunately, it will take time for it to operate, and by the time the applications for help have been made, and the red tape has been cut, the influenza wave in any particular area will have passed on. It would surely have been better for the arrangements to have been made, and the formalities completed, months, or even years, ago rather than to wait until an epidemic is at its height. The same consideration applies to the scheme for home help now being organised by local authorities at the request of the Ministry of Health. The shortage of domestic help has placed some households in very great difficulty when the housewife is ill. Moreover, doctors have frequently been confronted with cases of patients living alone who have no one to fill a hot water bottle for them, much less shop and cook. They have no option but to send these people to hospital—if a hospital can be found to take them—where they can be nursed, which places a further strain on the hospitals' straitened resources, and involves the danger of spreading infection in the hospital itself. The plan for organising first-aid post and rest centre staffs, and members of the voluntary services, into "mutual help" schemes is a good one, but its benefits will not be fully felt until the next epidemic.

Location of Industry

The first sign that the Government has any policy on the location of industry was given by the President of the Board of Trade in the House of Commons last week. Members representing constituencies in the former depressed areas of Scotland, the North-East and South Wales had tabled an amendment to the Address, regretting the absence of any specific reference to the location of industry in areas where unemployment was high before the war. They spoke with considerable feeling, which was clearly shared by Dr. Dalton, who himself represents Bishop Auckland, one of the blackest spots during the depression. The amendment was withdrawn after an assurance that the areas would receive special consideration in the period of change from war to peace within the context of the Government's policy of maintaining full employment. Dr. Dalton agreed that the exclusive dependence of the areas on heavy industry had been unfortunate, and that the aim should be to achieve a more balanced and diversified economy. The Government is proposing that, as far as possible, necessary defence production shall be continued in the areas; and, where suitable, premises no longer required for Government work will be converted into trading estates. A big difficulty in placing new work in the areas may be the shortage of factory space,

INSURANCE :
CONSULT
THE
LIVERPOOL
AND
LONDON
AND
GLOBE
INSURANCE
COMPANY LTD.

HEAD OFFICE:
1, Dale Street,
LIVERPOOL, 2

LONDON:
(Chief Office),
1, CORNHILL, E.C.3

and, in the issue of permits for industrial building, the areas will be given high priority, and premises requisitioned for storage purposes will be cleared rapidly. The Board of Trade is making a number of surveys into the possibilities of industrial production in the special areas, and lists of Government factories which could be released for peaceful production are being compiled. Perhaps the biggest change is a psychological one—the areas are henceforward to be known as “development” areas, thus removing the taint of depression or distress. Dr Dalton's statement could very usefully be followed by a speedy declaration of the Government's policy on the Barlow proposals for guidance of the location of industry.

The Restoration of Shops

The President of the Board of Trade told the Commons on Tuesday that the wartime licensing of shops will continue for a time after the war. Some increase in numbers will be allowed, and additional licences will go first, rightly, to ex-shopkeepers on war service, and to disabled persons. It would do no harm if Dr Dalton were also to state now that, when the wartime scarcity of supplies and manpower which made restriction advisable is over, the principle of free entry will be restored, without restraint of retailing by the Government or by trade associations. After shortage, the only reason for restriction would be to further full employment or fair distribution, and so far from limitation of entry to shopkeeping being an aid to this, it would in fact be an obstacle. The curtailment and concentration of retail trade during the war have been allowed to go on largely unhappily with indiscriminate losses to those squeezed out, and it is important that its remobilisation should not be straitjacketed, directly or indirectly, by the quasi-monopolistic bodies which may see in the war their chance to fasten an even stronger hold than before on shops and shoppers.

Wheat Supplies

The agreement for United Nations Relief and Rehabilitation Administration has now been published as a White Paper (Cmd. 6491). Its main provisions, for the administrative working of UNRRA, are now well known and need not be restated. Simultaneously with the publication of the White Paper, the post has brought from Stanford University, California, a copy of *Wheat Studies*, containing the latest of Mr Joseph S. Davis' excellent surveys of world wheat supplies. His carefully documented study shows, at least for the current year, how much will be available of one of the most important of the foodstuffs that will be needed to relieve the undernourished people of the present occupied countries. The facts he gives are encouraging and show, as was pointed out in an article on UNRRA in *The Economist* on November 27th, that in wheat—which is, with wool, a rare exception—there is at present no shortage. At the end of the latest crop year, the combined stocks of the United States, Canada, Australia, and Argentina—the four major exporting countries—amounted to 1,694 million bushels, against 1,421 million in 1942 and 785 million in 1939. The crops of the four countries, on the other hand, have shown a marked fall, from 1,929 million bushels in 1942-43 to 1,440 million in 1943-44; but, owing to the larger carry-over, total supplies available during the current season at 3,134 million bushels, are only 216 million bushels smaller than during the preceding season. They are more than 1,000 million bushels bigger than supplies in 1938-39, which is equivalent to about two-thirds of Continental Europe's average pre-war crop. The situation when the war ends depends upon how long it lasts. The supplies of wheat available for relief would be sufficient if the war ended next year. But production will probably continue to fall; the size of the next harvest is unpredictable; and much will depend on the volume of wheat diverted during the remainder of the war to feed livestock and to industrial users.

Finnish Dilemma

The United States is not at war with Finland. It was not included in Mr Hull's warning to the satellites. Yet for the time being it is more under fire from Russia than any other Axis power. In recent weeks the tone of Russian broadcasts has been very fierce; atrocity stories of the treatment of Soviet prisoners in Finnish camps have

been broadcast widely (especially in English) and *War and the Working Classes* have attacked Finland several times. The Russians also accused the Finns of shelling Leningrad—an accusation which led the Finns to deny solemnly that they had done any such thing. The reason for this campaign may well be the apparent failure of the peace manoeuvres in October and November. It is rumoured that direct contact was established between Finland and Moscow and conditions discussed. It is also rumoured that the Finns turned down a moderate Russian proposal—agreement on the lines of the 1940 settlement. Whether or not these reports are true, the defeat of the more conciliatory elements in Finland is suggested by the resignation of M. Fagerholm, for six years Minister of Social Affairs, who was known to have strong pro-Allied sympathies. The difficulties facing the Finns are tremendous. The Germans are still on their territory. They face a hard winter on meagre food supplies guaranteed only by Germany. Yet intransigence on their part must inevitably decrease the chances of securing a reasonable settlement. Possibly the Russian attacks are a smokescreen to cover continued negotiation. If so, there is still a chance that no final decision has been taken, either on the Russian or the Finnish side to bar the way to an eventual peace.

Reform in Algeria

In his speech at Constantine on December 12th General de Gaulle outlined a new policy for Algerian Moslems. On the morrow of his speech, the French Committee of National Liberation passed a resolution containing the main points of the promised reform. The most important change is the decision to confer French citizenship on Moslem *élites* immediately. Until now, Moslems, who because of their religion would not submit to the Napoleonic code, have been French subjects, but not French citizens. Now the acquisition of citizenship by Moslems will not be made dependent on their abandonment of the Koran. Further, the Moslem representation on the Algerian Administrative Council will be increased, and the suffrage extended to administrative jobs will be opened to more Moslems. The Commissioner for Moslem affairs has been asked to work out a comprehensive scheme of social and economic reform for the native population. So far the reforms apply to Algeria, but not to Tunisia and Morocco. This change in French colonial policy, though still confined to one dependency, is a direct result of the war. Under Vichy the Moslems were drawn into the Legion of Combatant, and into the *Service d'Ordre Légionnaire*. The privileges of citizenship which the Jews enjoyed under the Crémieux law, and which caused a great deal of jealousy among Arabs, were then abolished. Recently the Crémieux law was re-enacted, which must have again given rise to Arab resentment. The present reform puts Arab *élites* on an equal footing with Jews; and it may partly remove a major cause of friction between Arabs and Jews in Algeria. The reform may also have been inspired by General de Gaulle's desire to undo the unfavourable impression made by recent events in Lebanon among the Arab population of North Africa. It is doubtful whether it will be possible to limit the reform to Algeria only and to the *élites*. For seventy years, French administration has refused to grant citizenship to Moslems because of the incompatibility of their religious practices (polygamy) with the Napoleonic code. Now this refusal has been discarded. And this may well stimulate a movement among the Moslems for a wider and more radical reform.

Mounting the Winter Offensive

The German counter-offensive in the Kiev salient goes on after a month of effort. General Manstein's army has advanced more than half way from Zhitomir to Kiev. The pace of the advance has been very slow—about two miles a day in flat country. But the danger to Kiev has considerably increased. Perhaps it is true that the offensive has been mainly due to the desire of the German High Command to prop up the morale of the troops. But it may well be the purpose also to tie down as much of the Russian strength as possible during the winter “lull,” which the Russians wish to use for the preparation of the winter offensive. In spite of the continued fighting, these preparations are in full swing. The Russian press has recently provided some evidence of their nature. The supply system in the immediate rear has been reorganised and simplified. The idea is to make the main fronts self-sufficient; the distribution of supplies within each of the main fronts is to be highly centralised. This aim is to secure increased mobility on

each separate front. At the same time, specialised winter equipment is being carefully distributed among the armies, according to the varying weather conditions on the different fronts. Despite the Kiev counter-drive, so far only poorly rewarded, the Russians are mounting the winter offensive, for the time when blows will be struck from west and south, as well as east. Even so, the prospects of that winter campaign still hang largely on the successful defence of Kiev.

Education for Demobilisation

Army education is divided into three parts. The Army Education Corps is part of the regular military organisation and, while mainly concerned with technical training, was intended at the end of the last war to do something like the job which is expected of the larger and more varied system at the end of this one. The other two parts are the Central Advisory Council for Adult Education in H.M. Forces, a product of this war, intended to make available to troops all the resources of civilian adult education, sadly diluted in wartime by other calls; and the Army Bureau of Current Affairs, an internal organisation designed to provide discussions between officers and their men on matters of public importance, as well as on the broader implications of strategy and tactics. The appointment of Mr P. R. Morris, Director of Education for Kent, to be Director-General of Army Education will bring closer, at the top at any rate, these three strands which at present are only partially interwoven. The temptation to see army education through somewhat romantic glasses is too seldom resisted. The picture of a great civilian army pulsing with interest and information on world affairs and civic problems is almost entirely a well-meaning myth. The mass of soldiers, like the mass of citizens, is mostly unmoved and unaffected by matters outside daily work. Moreover, it appears to be inherent in the character of any army that the educational opportunities provided for it should have a “way and purpose” very strictly related to its peculiar military tasks. ABCA was an excellent idea to arouse the curiosity of civilians and soldiers and encourage free thought on democratic lines; in some units and under some commanders it has had notable effects. But, in the main, army education is necessarily propagandist—though not in the worst sense. The large proportion of it that is technical in character has its direction set by the needs of battle. The penumbra of more detached instruction, which has grown strikingly and significantly during this war, has, in the last resort, equally specific objectives. It is provided for two definite reasons: first, so that the soldier may fight better, with some knowledge of what the war is and being fought for and how it is being conducted; and secondly, so that when the war ends, the soldier may come to the change-over from war to peace in an understanding and orderly mood. This second motive, which largely inspired the development of the AEC after the last war, has now become uppermost in the mind of the authorities, faced with the tremendous task of demobilisation in the not distant future. Mr Morris's appointment, very welcome because it brings in a civilian of known imagination and ability, is part of the preparation for peace. If the new Director-General realises the limitations as well as the possibilities of the work he is now called upon to oversee he can make an important contribution to the shape of things to come in the next few years.

Couponeers

For over four years the word “coupon” has meant, as twenty-five years ago, a title to rations. Now, with victory not too far off, another meaning is creeping in, the meaning acquired at the election of 1918, when the first post-war parliament was elected on the “coupon” of support for the Government which had won the war. There is much discussion about whether the same unsatisfactory practice should decide the next post-war election; and, appropriately while the discussion goes on, the Parliamentary relics of the 1918 couponneers have held a dinner to celebrate twenty-five years of survival—unbroken in only a handful of cases. The 1918 Parliament is remembered as a collection of “hard-faced men who looked as if they had done well out of the war.” The breed has not survived so long; none at the small war dinner held on Thursday, which included the Speaker, deserved this description. Probably, the hard-faced men and profiteers either went on to do well out of the peace, rather than politics, or sank back into well-earned oblivion. But this meeting of the survivors, presumably (because they survived) the fittest, brings an important point very much to

mind. What will the next Peace Parliament be like? There are three schools of thought about the reconstruction period immediately after the war. One, much favoured by Conservative and independent members without party supports, is that everything should be sacrificed to “unity,” that there should be a coupon election, and that the return to party politics, if any, should be delayed as long as possible. Another is that while a return to genuine party politics is desirable, a party election immediately after the war, even if it were possible, would be disastrous. The third, not much advocated by Members of Parliament, for obvious reasons, is that the future of British politics and the character of the peace depend upon finding true popular answers to questions fully and frankly stated, which can only be done by the method of statement and counter-statement between parties, once the strength of our political system. The first post-war Government will largely be bound by the mood, talents, and imagination of the first post-war Parliaments. For more years than it is comfortable to remember, Parliaments have been poor in quality, hazy in ideas and reluctant in action. It would be a poor outlook if the sole choice were between the continuation of this kind of Commons and the appearance at Westminster of another crowd of hard-faced and short-sighted men.

Saving the Countryside

For most of his speech last week at the annual meeting of the Council for the Preservation of Rural England, Mr W. S. Morrison trod upon safe ground. Everyone wishes well the efforts for saving the lovelier parts of the countryside from further spoiling. This is one field where the sentimentality of the Scott Report, with whose implementation the Minister seemed chiefly concerned, is not out of place. The generosity of individuals, as shown by the work of the National Trust, and the good intentions of local authorities, are guarantees that the best views and walks may be saved for all to enjoy. This requires no new powers; but is this enough? Mr Morrison's only concrete statement was that he had commissioned two expert surveys, one for national parks and the other for the coastline. On another recent occasion the nation was reassured that there will be no new “Peacehavens” after the war. But to stop the sort of coast development associated with Peacehaven, or similar sprawls inland, there is needed not the preservation of particular areas, however beautiful, but improved powers over the use of all land, and of those the Minister made no mention. The intention of the LCC to build an estate at Oxhey, in Hertfordshire, is the first indication vouchsafed to the public of how the London area is likely to grow in practice.

Shorter Notes

The Disabled Persons (Employment) Bill was given a general welcome, and a second reading, in the House of Commons on Friday of last week. Other measures approved last week were the Local Elections and Register of Electors (Temporary Provisions) Bill, which obtained its third reading, and the new draft regulations for supplementary pensions and unemployment assistance.

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-June.....	1,830	2,515	4,345
July.....	167	210	377
August.....	108	164	272
September.....	5	11	16
October.....	118	283	401
November*.....	119	238	357
Totals to date....	50,207	59,911	110,118

* Those killed last month included 41 men, 49 women and 28 children under 16. The vast majority of the total were accounted for by a single incident, when a dance hall in a London suburb was hit. It should be pointed out that Service casualties in this incident are not included in the figures.

AMERICAN SURVEY

California Boom

(From a Correspondent in Los Angeles)

November 8th.

RECENT surveys show that Southern California aircraft workers plan to stay here after the war. They know many will lose their jobs. Federal and state authorities have warned that, after the war, the Los Angeles area "may be one of the most seriously distressed industrial districts in the United States for a few years." San Diego, the second city of the area, will have post-war readjustments probably "more difficult than in any other south-west community." And yet the workers plan to stay.

The reasons for the above warnings are not hard to find. Of Los Angeles County's 7,500 factories, 2,000 are new since 1939, and have never made anything but war goods—1,000 of them are aircraft accessory plants, and 500 others specialise in dies, tools, machines. The transfer of their productive capacity to peace-time goods is obviously going to be a major transfer. In 1939, Los Angeles County had relatively fewer factory workers than any large eastern industrial centre. In the ten counties of Southern California, motion pictures, sportswear, cosmetics, automobile assembly, petroleum products, tyres and tubes, furniture, aeroplanes, specialty food products, electrical appliances, pottery, were the main occupations offering industrial jobs; further employment was available in transportation, distribution, service—the balmy climate was a natural resource for the tourist trade.

By contrast to the lack of development of heavy industry before the war, specialised agriculture was highly developed, particularly the production of fruits and vegetables; Los Angeles County's assessed valuation for agricultural products is more than \$3 billion, 40 per cent of all California's. But since the war industry has caught up. This year the Los Angeles County aircraft industry will double Germany's and quadruple Japan's probable output. Currently, the California shipbuilding industry outbuilds the rest of the world.

To get these end-products, two kinds of supplies are indispensable; the raw materials, power and other accessories which the people who make the end-products need as producers, and the food, clothing and other necessities which those people need as consumers. Serving in both capacities, a Pacific south-west feeder region is developing, with Arizona, Nevada and Utah included in close trade ties with California. The extent of the new demand is reflected in the fact that population in the ten Southern California counties increased more than 25 per cent between 1930 and 1940, and another 13 per cent since 1940—nearly one person in three of all the people in the eleven western states live there. The Los Angeles metropolitan area is now exceeded only by New York and Chicago, both in population and buying power.

In the field of consumers' goods, these hundreds of thousands of newcomers, mostly young, offer possibilities for low cost distribution to a growing mass market. Manufacturers are establishing local or branch plants—400 of the 2,000 post-Pearl Harbour factories are making apparel—and in a variety of lines they set the pace so as to attract buyers from elsewhere: in 1939 there were 750 such offices; to-day over 1,800 department stores in the US and abroad maintain permanent resident buying offices in Los Angeles.

Similarly with food: livestock men on the western ranges are beginning to discover that there is such a thing as a dairy cow, and that beef and mutton can move west as well as in the usual direction. (Food comes to Los Angeles by water as well as over the mountains—the city is now the world's greatest fishing port; last year's catch exceeded half a billion pounds.)

Similarly again with supplies for the machines and the furnaces of the new industries. Los Angeles' Bethlehem and Columbia steel plants have long made steel, hauling their pig iron from Utah. Now the Henry Kaiser \$100 million

dollar steel plant has begun production at Fontana, less than 50 miles from Los Angeles; this plant will make its own pig iron, since it has easy access to the necessary iron ore, coal, limestone and water. Also, a recent find of the US Geologic Survey has revealed huge high-grade iron ore deposits within 200 miles of the city. At the same time, the needed power has been developed. Installations at Geneva, Utah, bring the furnace capacity of the region west of the continental divide up to 3,548,020 net tons of ferrous metal, compared with 1,061,620 net tons before the war. The open hearth and electric steel capacity in the Los Angeles area has increased by 308 per cent during the war, compared with increases of 109 per cent in the Portland-Seattle area, and 43 per cent in the San Francisco area.

The working of immense manganese beds near Las Vegas, Nevada, and the discovery of rich tungsten ore in the state, the opening up of lead-zinc and possible molybdenum deposits in a formerly inaccessible area of Arizona, the manufacture of aluminium and manganese under the combined influence of war and hydro-electric power—all are encouraging workers to expect to survive the change-over from war industry with the prospect of the far west becoming one of the major light metal-producing areas of the world.

Another prospect is synthetic rubber; the Pacific South-west has a sixth of the nation's known underground petroleum reserves, as well as large supplies of natural gas, oil-bearing shales, bituminous coal. At the moment, however, this industry is having growing pains. When Los Angeles' Southern California Gas Company, scheduled to supply about 80 per cent of the butadiene for the synthetic rubber plant set up at Torrance by the Goodyear and US Rubber Companies, began to make butadiene in its largest artificial gas plant, exhaust gases at times blanketed parts of Los Angeles. Wiping their smarting eyes and holding their noses, citizens protested loudly; synthetic rubber production is now temporarily held up through an injunction action. Nevertheless, major tyre companies are counting on a post-war synthetic rubber and tyre industry employing at least 12,000 workers.

A third prospect is plastics; the California industry has expanded more than 500 per cent in the past three years, and this year may turn out \$500 million worth of products.

Then, too, aircraft and shipbuilding, though their production will undoubtedly be sharply cut, will certainly not drop out entirely after the war.

So the workers in Southern California think they'll stick around awhile.

American Notes

Third Party Threats

By a curious coincidence, threats to bolt from the major parties have come this week both from Republican and the Democratic ranks. Mr Willkie has refused either to confirm or deny a story that he has "thoroughly explored" the possibility of forming a third party. Only a few days earlier a number of Southern Senators, enraged by the accusation that they had entered into an "unholy alliance" with the Republicans to kill the Soldiers' Vote Bill, threatened to form a new Southern party. The substance of the allegation was that the Southern Democrats put the retention of their hold over the South, through the poll tax, before the interests of the national party and indeed before those of absentee Servicemen. This flare-up has subsided somewhat with Senator Byrd's prudent refusal to captain the revolt. It could hardly be taken seriously. Within the Democratic framework the Southern bloc holds a position of great power and has not failed to extract its pound of flesh in the form of repeated concessions from

Mr Roosevelt, who, it is said, will make almost any sacrifice on the home front to secure the acceptance of his foreign policy. Through nominally Democratic, the Southern group feels no hesitation in voting against the Administration and with the Republicans when its special interests are at stake. The defeat, in the Senate, of the Bill to establish a two-party federal commission to supervise the procedure enabling Servicemen to vote was an excellent example of its freedom from party inhibitions. As matters now stand, unless the House succeeds in dissuading the Senate, control of Servicemen's absentee balloting remains with the states, and it is doubtful whether the law, in a number of cases, can be changed in time to permit effective participation by men overseas.

Another Blitz?

The fact that Mr Willkie has chosen not to deny his reported "exploration" of third party possibilities does not mean that, at this early stage, he is seriously considering a bolt from the party, though, if he is passed over for the nomination, it would not be unlikely. Even a man so convinced of his own destiny and of the rightness of his stand both on foreign and domestic issues as Mr Willkie can hardly imagine that the creation of a third party would provide the key to the White House which he is seeking. The third party in American national politics has been, without exception, a losing proposition. To split one of the major parties is a form of suicide pact. The threat of a bolt is another matter. It will certainly reinforce the suspicions of the party regulars, who have always contended that Mr Willkie is not a real Republican, but only a Democrat turned Willkie-ite. But it is the strongest weapon in Mr Willkie's armoury, for although to resort to it would be a confession of personal failure, it would guarantee a Democratic victory. That he should feel the need of using such blitz tactics suggests that he is becoming alarmed at the pace of the stop-Willkie movement. The increasingly sensational attacks upon him, like the accusations of the *Chicago Tribune* that he is the tool of "Wall Street financiers, Communists and ex-convicts," probably will not do much damage, though they suggest that a dirty campaign is in the making. The manoeuvres of Mr Landon and Mr Hoover are worth more attention. Their refusal to commit the party to approval of the Administration's foreign policy suggests that they may, if it seems politically profitable, urge the party to adopt some such slogan as Governor Bricker's "co-operation but no subservience," which, while giving lip-service to collaboration, would permit attacks on Mr Roosevelt's policies.

NAM and the Future

Reports on the Second War Congress of American Industry, which has just concluded its meeting at New York, are still fragmentary. It appears fair to say, however, that its position on international affairs has proved more constructive than its stand on domestic issues. The Report of the Post-war Committee of the National Association of Manufacturers took a firm stand in favour of an international organisation and prompt action against aggressors, the rehabilitation of the permanent court of international justice and the creation of international agencies to deal with specific problems in the economic field. It is not difficult to imagine, however, that members of the Congress listened with even more eagerness to the plea of Mr Sloan, of General Motors, for a thorough revision of the tax system after the war in the interests of free enterprise. Mr Sloan was probably typical of big business in the enthusiasm with which he regarded post-war opportunities. In the expectation of a national income of about \$100 billion, General Motors has committed itself to the spending of \$500 million on plant reconversion and technological improvements. But he insisted, as business generally has insisted, that a prerequisite was the reconstruction of the tax system, to reduce taxes on enterprise and those on individuals where they discourage saving and investment. In the opinion of the Post-war Committee, business will be able to find new outlets for the production which during the war has been bought by the Government only by a vast new emphasis on the importance of distribution and the ability to increase consumer wants.

Manpower Politics

President Roosevelt has signed a Bill embodying the results of the agitation to delay the drafting of fathers.

The measure provides that fathers may not be taken until all available single men have been inducted, and by tightening up occupational deferments and urging that, if possible, mental and physical standards of the Services should be lowered in some respects, attempts to postpone the evil day. Neither of these devices is likely to be of much avail; the exhaustion of the reserve of single men is so near at hand that about 1,000,000 of the Service intake of 1,700,000 are expected to come from the privileged class of "pre-Pearl Harbour fathers." The law also makes substantial changes in manpower authority, partly because of widespread dissatisfaction with Mr McNutt's handling of the problem, and partly, perhaps, because current reductions in the war production programme appear to justify a more easy-going attitude. Supervision over the Selective Service System, which administers the draft, is returned to General Hershey despite Mr McNutt's protests that it would weaken the overall programme by dividing civilian and military control of recruitment. The controversial "work or fight" order of the Commission comes to an end. This was Mr McNutt's attempt to force men into essential occupations under the threat of induction into the Forces. It has been criticised as ineffective, and also as a slur on the Services. There are reports that as a result of these invasions of his slender authority Mr McNutt may resign, particularly as they follow an attack by Mr Elmer Davis on his handling of publicity, a function in which even his enemies previously admitted he excelled. The belief that cuts in war production will end the strain on manpower is not borne out by the Commissioner's revised estimates for the coming year. Although munitions employment will not increase as rapidly as had been estimated in June, war industries are expected to need another million workers by next July. The overall increase in Service and civilian requirements is put at a million.

Inflation and National Unity

In the past week Congress has made two direct and ominous attacks upon the agencies responsible for keeping down prices. The Senate, by 74 votes to 4, adopted and sent to the House the Truman resolution supporting the wage increase of 8 cents an hour for non-operating employees of the railroads which had been denied by the Stabilisation Director. The House has since ordered the Office of Price Administration to reverse its stand and allow an increase in the price of crude oil of a minimum of 35 cents a barrel. These are the first instances of Congressional interference with the details of price and wage policy. While they may fail to reach the President, or may then be vetoed, they open the way for a new flood of log-rolling and seriously impair the prestige of the agencies involved and their ability to carry out a consistent policy. As Mr Vinson said, the Senate itself has broken the wage stabilisation line. With such encouragement, Labour can hardly be expected to exhibit superhuman restraint; and, in fact, the drive for increased wages, for example in the steel industry, is proceeding, and a "progressive" strike on the railways has been called for December 30th by the railroad brotherhoods. The administration is straining desperately to turn back the tide. Mr Byrnes, in a Pearl Harbour Day address, warned that if the line were not held now against inflation there were no prepared positions to which the country could retreat. Frankly admitting many defects in the anti-inflation programme, Mr Byrnes insisted that, so far, the record was vastly better than that of the last war, and appealed to the patriotism of the leaders of labour, agriculture and industry to help the Government, "so that we will not lose the peace while our boys win the war." Mr Charles Wilson, the distinguished industrialist now with the War Production Board, made a similar appeal to the National Association of Manufacturers. In one striking passage he said:—

I know of no other period except perhaps the Civil War when there has been so much need for unity in our country and so few signs of it. . . . It is an appalling thing to see the separate groups and special interests separating out of the main body of the American war effort in order to work for their own special purposes and private ambitions. . . . Now we are coming into an election year when passions and prejudices are likely to be accentuated. . . . I submit that if we give way to these passions and prejudices, if we lend ourselves to the breaking up of our society into partisan groups and cliques, we are jeopardising our entire national future.

Mr Wilson was speaking specifically of the dangers of a right-wing reaction among some sections of capital, but his words have a wider significance.

THE WORLD OVERSEAS

The Confession of a Quisling

(By a Correspondent)

"LE SOIR" is a Belgian paper which has preached collaboration with the Germans. Until quite recently its editor was Raymond De Becker. In October De Becker had to resign, probably because of misunderstandings with the Nazis. Before he resigned he spoke to his staff; gave his views on the present position in Europe; and made a long apologia for the policy of collaboration he had pursued for three and a half years. The speech shows, with some degree of cynical sincerity, the tortuous and slippery road which a quisling has travelled in the years of European eclipse.

De Becker seems to have been a quisling of a peculiar type. He might almost be called an honest quisling, if this description were not a contradiction. Perhaps it would be truer to say that he has been a quisling with a purpose. He never belonged to the mercenary ranks of a Fifth Column. He claims to have held aloof from the other brand of Belgian collaborators, the Rexists, whom he treats as a contemptible pack of hirelings.

De Becker clearly speaks for a certain kind of collaborator which can be found in almost every country—the quisling who has not been bought. These gentlemen could be found in Europe even before 1940. Sometimes they come from the most "respectable" political circles. In Belgium there was De Man, the Socialist philosopher and sociologist, who hailed Hitler's victory in 1940. In France there were leading figures in very conservative and right-wing circles like Pétain himself, parliamentarians like Déat or old Socialists like Paul Faure. In Czechoslovakia there was the former President of the Supreme Court, Hacha, or Tisso, the leader of a well-established Catholic movement. In a sense De Becker speaks for all of these and a whole host of others. He presents the common denominator of the political blindness and moral cynicism that have misled them. He tells dispassionately the story of their disillusionment.

De Becker lost his belief in German victory long ago, though he still does not see the inevitability of German defeat. He still believes that, in collaborating with the Germans, he fulfilled a patriotic duty as a Belgian. In 1940, he took Hitler's victory for granted. He was then out "to secure for Belgium the best possible future status in a Europe controlled by the Axis." This is this kind of quisling's first trait: the false realism which induces him to make peace with the fact of German conquest. The "best possible future status of Belgium in a Europe controlled by the Axis" was always a mirage, because in such a Europe Belgium's "best possible status" could never be much better than political death. Even so, he says:—

From the Belgian point of view it is indeed natural that some Belgians should play the German card in the event of a German victory, and that others should play the Anglo-Saxon card in the event of an Anglo-Saxon victory. They are all patriots so long as they collaborate for the good of the nation and constantly guard their moral and financial independence.

The philosophy of expediency has seldom been expounded with so much disarming frankness. This is the formula that might help any quisling to whitewash his record and to become a Darlan. De Becker is not merely an apostle of expediency. He was also a believer in the New Order. He admits that, in 1940, he felt a blissful exaltation over Hitler's victories.

We participated in that false sense of well-being which then existed throughout Europe, we shared the hopes of the young European generation, we thought that a new world would arise out of the revolutionary war.

Those hopes are now destroyed. In 1940, however, they were real—though not "throughout Europe," but throughout some section of European society. De Becker explains that the opponents and critics of the democratic *ancien régime*

could only rejoice at the chance that seemed to offer itself of destroying it and of setting up along with the youth of Europe a new order.

But here the disillusionment starts. Even the quisling discovers that the claim of National Socialism to pass for a European revolution was sheer bluff. He discovers the old German imperialism under a new guise. He finds few "genuine" National Socialists among the Germans; and even the true National Socialists have no understanding of their Belgian confrères. At first the German appeal to the sense of European unity did not fall on deaf ears. Soon it became clear that the "European" policy was not meant in earnest. At every step it clashed with the Pan-German policy, and gave way to it. The Nazis based a spurious unification of Europe on an utter disregard of the national susceptibilities of the peoples they had conquered.

Thus the occupying power and the collaborators clashed. The "honest" quislings could find no common language with the conquerors, who now preferred the plain mercenaries of the Rexist movement. The call-up of Belgian labour was the main cause of conflict. De Becker, Poulet, De Man advocated voluntary recruitment; but the Germans left their advice unheeded. "They legislated in the void and then got angry if the law was not observed"—this is De Becker's melancholy complaint. The crisis grew ever bigger until even the Flemish Nationalists turned against the occupying power and the whole quisling press was submitted to a radical purge.

Reluctantly, De Becker reveals how superficial the difference between the "decent" quisling and the mercenary had been. The "decent" quisling wanted collaboration to be based on voluntary principles; he wanted the impossible, and failure was inevitable. The Germans have no use for the *Schwärmer*. What they needed was labour, and more labour; and this they decided to obtain even at the cost of alienating many of their "idealistic" friends. True, they failed to obtain the labour they wanted. But the believers in voluntary collaboration can hardly boast of greater realism; they also thought in a void.

What hopes does the frustrated quisling still entertain in the fifth year of the war? He proclaims a magnanimous amnesty to those of his countrymen who have played the Anglo-Saxon card, and probably expects reciprocity. Yet, he also urges his followers to drink the cup of collaboration to the last bitter dregs. He points to the European fight against Bolshevism as the last remaining link with National Socialism. He holds out the prospect of an "Anglo-German reconciliation" against Russia, the only chance of survival for the European civilisation of which the "decent" quisling thinks himself to be an essential element. The quixotry of collaboration comes full circle. The future historian of Europe in 1940-44 has here a pitiful document on the aberration of political minds in those years.

"Co-Prosperity" Takes Shape

[BY A CORRESPONDENT]

HITHERTO South-Eastern Asia has disposed of its enormous surplus production of rubber, tin, coffee, sugar, and so on, on the world market, and most of its constituent countries used to depend on large imports of foodstuffs and manufactured goods. Most of these goods are not at present available from the production of Japan, which, in any case, could hardly spare the necessary transport; on the other

hand, Japan, though still short of some raw materials, is unable to use up the whole surplus of those products which have been typical of its new dependencies. Japan is consequently willing to introduce far-reaching changes in the economic structure of the whole region; it was revealed, for instance, at the June session of the Japanese Diet that the Imperial Government intends to make each of the constituent territories of the "Co-Prosperity" sphere almost independent of the import of foodstuffs, and a period of ten years was mentioned as the time necessary to attain this goal in Malaya, whose agriculture, at the time of the conquest, was based on rubber. This plan incidentally contradicts earlier reports, according to which the present autarkian measures would be undone after the war, and South-Eastern Asia would then exchange its traditional products with the produce of German Europe and other parts of the western world.

Japan, in present circumstances, may have roughly two million tons of shipping to spare for transport within the new sphere, but a high Japanese authority recently stated that 17 million tons would be required for an adequate system of communications. Evidently, the Japanese cannot expect a solution of their Empire's economic problems during the war merely from improvement of their transport system, although, of course, they pay due attention to the problems of both land and sea transport. Shipbuilding has first priority in Japan's economic programme, and wooden boats are built in Hong Kong, Borneo, Celebes, and New Guinea; a plan for a motor-road from Korea to Singapore is under consideration; other, less ambitious, road-building schemes are actually in operation, for instance, in Borneo and in Burma.

Self-Sufficiency in Food

The policy of local food autarky in the various territories of the region is served mainly by increasing the cultivation of rice and other staple products. The area under rice is reported to have increased by over 10 per cent in the Philippines between 1941 and 1943. Rice, maize, bananas and groundnuts are the plantations to be fostered in Java; there is to be more fishing throughout the whole area. This autarkian policy is evidently accompanied by a further reduction in the living conditions of the local populations, which were on an unsatisfactory level even before the Japanese invasion. A correspondent of a leading German newspaper recently reported from the Philippines that the local wage level had been "adapted to Japanese conditions," and that life therefore has become "simpler and more frugal."

Apart from foodstuffs, the Japanese are also encouraging an increased planting of cotton, in order to replace their imports from the United States. More cotton is being planted in practically all the newly conquered territories, and the most encouraging results are said to have been achieved in the Philippines, where the transport conditions also are comparatively favourable in view of the short distance from Japan proper. About 70,000 hectares have been taken over for cotton cultivation in the Philippine archipelago during the first two years of the Japanese rule, and a much sharper increase has now been foreshadowed in a new Five Years' Plan. The cultivation of jute is fostered in French Indo-China, and even more quinine than before is now grown in Java; the area under castor oil has been quadrupled in the Netherlands East Indies.

The Rubber Surplus

As a supplementary measure, the area under rubber, coffee, tea, kapok and sugar is being reduced in all countries of South-Eastern Asia. The Philippines' sugar production is to be reduced to meet only local demand, including the requirements of new factories producing alcohol and butanol. The Japanese want to reserve for themselves the sugar market of China and Manchuria, while the demand of the southern countries can easily be satisfied by local producers, mainly in Java. A limitation of the rubber output of the area is not practicable in a similarly rigid manner, and the Japanese have to think of new ways and means to put the abundance of rubber and other raw materials to some useful purpose. Whereas the western countries have learnt to make rubber from fuel, the Japanese in Malaya have started to manufacture substitute petrol from rubber. They are also to produce asphalt from a mixture of rubber, lime and palm oil, while the authorities of French Indo-China have prepared a scheme to convert rubber into a new textile fibre. Artificial fibres, as well as paper, are now also produced from local timber in the tropical lands of the

"Co-Prosperity" Sphere, and a variety of substitute products, including artificial coal, soap, oils and condensed "milk," are made from coconut.

Mining activities are greatly fostered, although gold mining is being severely reduced. Prospecting seems to have been lively in various parts of the Netherlands East Indies, more particularly in Borneo, where new deposits of coal, and of iron, manganese, bauxite and molybdenum ores are to be exploited; more oil has been discovered in Siam. Blast furnaces, partly for the use of charcoal, have been erected in Malaya, Southern Borneo and Indo-China, in order to economise transport. The coal and iron of the southern countries seem to be mainly designed to form the base of local manufacturing industries, while the main supply centres of coal and iron for Japan itself remain, for the time being, in the northern region. The combined coal output of Manchuria and the province of Shansi, in Northern China, was over 50 million tons in 1941, and has grown considerably since. The smelting of the ores is also carried out to an increasing extent in these provinces; skilled Chinese workers are being transferred to the north of their country in order to help with the new industries in the coal and iron belt. The Philippines are also to produce some iron and chromite, thus replacing the traditional Japanese imports from North America.

The Japanese Government has made it clear that the greater part of the overseas populations are to remain, for good, in agricultural occupations; even so, it is in their immediate interest to stimulate some growth of manufacturing industries in the area under their command. Manchuria is said to be producing considerable numbers of aircraft for Japanese use, but the industrialisation process is not entirely confined to the old Japanese protectorates. About 10,000 cotton spindles have been transferred to the Philippines from the closed-down establishments of Japan, in order to help the establishment of a local textile industry; the output of tinned food, toilet articles, soda and other chemicals, and of electric bulbs and wires, have also been increased in the Philippines. Malaya is about to start the production of steel, and of wire, tools, and other metal goods; it has even been claimed that in July the construc-

Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

ROWNTREES

tion of the first Malayan motor cars was started, although German commentators say that the cars have probably only been put together from parts manufactured in other countries. Java has started the manufacture of pharmaceutical goods, and Burma is to increase the output of clothing.

Post-War Outlook

It is impossible to judge, merely from a study of the enemy press, how far all these schemes are really successful. As to the immediate wartime problems, it is safe to say that the Japanese derive considerable advantages from their huge empire, even though they have not yet fully absorbed, economically, all their newly-conquered territories. But the Japanese experiment is well worth studying from a long-term viewpoint as well. It appears clear that Japan, through a great variety of unorthodox methods, is about to change the vast area under its control into one homogeneous sphere which is more or less independent of the outside world. The Cairo Declaration has removed the last doubt that Japan, after the war, will be divested of its political hold over Eastern Asia. But the re-incorporation of the liberated territories into the world order will not be an easy job, and it will be the more difficult the longer Japan's rule will have been allowed to stay. The Pacific World, even from an economic point of view, will be different after the defeat of Japan from what it was before.

Hungarian Supplies

[BY A CORRESPONDENT]

FORMALLY, Hungary's first Five-Year Plan for industrialisation ended in the spring of 1943. The initial capital expenditure of 1,000 million pengoe had been increased to 4,500 million, and a bigger proportion than the original 60 per cent had been used for purely military purposes, although, compared with the available manpower, military mobilisation remained small. The slow progress of the ambitious programme for industrialisation may be explained by the fact that Hungary, cut off from all overseas trade, followed Germany's policy of replacing imported raw materials by substitutes from home resources. Apart from vague estimates, there is no indication of the actual industrial progress. The output of coal, which was about one million tons in 1938, is said to have increased by some 30 per cent. In contrast, the mining of bauxite and the output of oil and natural gas increased by 200 and even 300 per cent during the last four years. German sources suggest that the output of bauxite may reach 2,000,000 tons in 1943, against a pre-war record of 485,000 tons. It is quite possible that Hungarian bauxite is used for replacing former imports from Yugoslavia and Italy. The present output of oil would be sufficient for the normal peacetime consumption, which seems to indicate that the greater part of the oil is requisitioned by the German firms controlling the oil industry. As in other European countries, there is an intensive search for non-ferrous metal ores, and some lead and zinc ores are being mined. No expansion in the iron and steel industry has been reported, and it can be assumed that the small capacity is fully used. German exports to Hungary were sufficient for some time, but, from the beginning of this year, the supply of iron and steel and semi-finished materials has been severely rationed.

On the other hand, Hungarian industry is almost completely dependent on imports of machine tools and machinery, apart from certain specialised products in electrical machinery. Without German and Swiss deliveries, Hungary's manufacturing industry can hardly expand, and there seems to be no doubt that during 1943 no further advance has been made. In 1942, there was already a marked difference between the actual progress in industrial output and the continued founding of new companies. The increase in the number of workers was not accompanied by a corresponding advance in output. Land reclamation, the construction of roads and canals, electric power stations and factories for substitutes, as well as the mining industry, absorbed great numbers of workers.

Civilian Shortages

In spite of an acute shortage of the most important civilian commodities, particularly textiles, clothing and footwear, no attempt has been made to introduce a comprehensive system of rationing. The first step to overcome the

supply difficulties was the standardisation of clothing and shoes and the introduction of a purchasing-book for consumers, simply for the recording of purchases. A short time ago, maximum clothing purchases were fixed. It seems doubtful, however, whether factories will be able to supply shops with the necessary material. Shortage of supplies and exorbitant prices suggest that new clothing and shoes are luxuries for most Hungarian people. The indices of the wholesale prices and the cost of living index are no guide to the actual advance in prices. Individual articles of clothing and footwear sell at four and five times the pre-war price, whereas the official indices give an average increase of roughly 100 per cent. A really comprehensive system of rationing seems to be impossible. The ineffectual administration is one reason, and in addition the general character of Hungary's economy makes it impossible to extend effective rationing beyond the towns.

Wartime control of finances and prices bear the stamp of the German model. Roughly 30 per cent of the national income is paid in taxes and excise duties into the Treasury. The inevitable budget deficit is covered by the issue of Treasury bonds. Bank notes in circulation are three times the pre-war circulation, and bank deposits had increased by roughly 100 per cent during the four years from the summer of 1939 to 1943.

The financial problems are aggravated by Hungary's foreign trade with Germany. In value, Hungary's total foreign trade shows an impressive advance. Imports and exports have been as follows:—

	(In Million Pengoe)		
	Imports	Exports	Exports as per cent of Imports
1939	490	604	123
1940	603	515	85
1941	740	797	108
1942	923	1,144	124
1943 (6 months)	557	630	113

During all these years, Germany's share in Hungary's imports and exports exceeded 50 per cent, although Italy, which took second place, increased its share during 1941 and 1942 at Germany's expense. Under the clearing agreements, Germany's clearing debt to Hungary has been steadily growing, whereas trade with other countries was more or less balanced. In value, Hungary's foreign trade almost doubled during four years of war. But the rise in prices indicates that the volume remained at best unchanged.

The Clearing Debt

It is clear that Germany is no longer able to balance its trade with Hungary. The increase in German exports to Hungary during 1940 was not the result of larger German production, but was due to the fact that German manufactures, which could no longer be shipped to overseas countries, were diverted to Hungary and the Balkans. First, Germany tried to reduce the clearing debt by manipulating transfers within the Central European clearing system. Last year, however, the Nazi Government agreed to sell Hungarian securities held in Germany. All Hungarian securities held in Germany have now been called up and a considerable part has already been transferred to Hungary. But this is no solution and, in any case, the amount of securities held in Germany is probably small. An indication that Hungary's clearing debt is a serious financial problem for Germany is given by the fact that recently the Treasury bond issue was increased from 750 million pengoe to 1,000 million for the sole purpose of covering the necessary payments to Hungarian exporters on account of the German clearing. At present, Germany, having already transferred the bulk of Hungarian securities in payment of the clearing debt, can only offer promises of payment in goods after the war. On the basis of these promises, it is suggested that future Hungarian importers should place their post-war orders with German firms now and at the same time make advance payments to the Hungarian central bank, which would then from a purely technical point of view balance the German clearing debt. It is even suggested that the Hungarian Government should finance these advance payments in the form of credits to Hungarian importers. There is no doubt that there are many possibilities of technically balancing the clearing debt. In the last resort, the clearing debts will reappear as part of Hungary's national debt owed to Hungarian exporters, and this debt will grow the longer the war lasts and Germany's inability to export manufactures becomes more pronounced.

Germany at War

The Metal Puzzle

BY early November a special copper drive had been going on for a year in Germany, and inevitably Dr Luehr, in charge of the campaign, reported that it had been a great success. During the past twelve months copper and other non-ferrous metals have been stripped from the plant of closed-down factories. Copper in high-tension cables and machinery of electric power stations has been replaced by other metals, mainly aluminium; aluminium cables with iron cores are being used. Stocks of copper and semi-manufactured copper held by factories have been drastically reduced; all copper boilers, fixed or movable, with a capacity of a gallon or more, have been requisitioned. In the same period the staffs of the special commissar for the use of metal substitutes made of iron, plastics, ceramics and glass have been hard at work. The size of the new organisation set up for this purpose suggests that the copper, lead and tin supply situation in Germany is now very difficult.

However, the base metals have, relatively, receded in importance compared with the light metals, aluminium and magnesium, on the one hand, and the metals used in steel alloys, such as manganese, chromium, nickel, tungsten, molybdenum, vanadium, cobalt, on the other. These metals, to which cadmium, a by-product of zinc reduction, must be added, among others, are used in the brass and bronze alloys of the base metals as well as in the alloys of aluminium and of the base metals like indium and sodium, magnesium. Rarely known metals like indium and sodium, produced from zinc ore and caustic soda, respectively, are being used in appreciable quantities. In general terms, the use of these metals in steel, base metal and light metal alloys has been stimulated by the need for greater hardness and greater resistance against corrosion, especially in aero engines.

Misleading Statistics

Any purely statistical approach to Germany's present metal supplies must necessarily be out of date. The wide use of plastics, the much improved substitution of copper and other metals by iron and steel and general improvements in metallurgy might confound the most able statistician using pre-war figures. But, although ammunition takes only a small part of the total war consumption of steel and other metals, some facts have been published about the manufacture of munitions which give some useful pointers. For some time rifle cartridges have been manufactured from carbon steel. Detonators in rifle cartridges no longer contain mercury, though what substitute is being used has not been disclosed. Considerable quantities of brass were formerly used in cartridge cases for artillery munition. The Germans use open-hearth steel, which is cold rolled and either brass coated or galvanised. It is interesting to note that steel is also used for cartridge cases in the United States.

The lead core of the German rifle bullets has been replaced by an iron core. To make the change was mainly a ballistic problem, and it is claimed that it has been solved satisfactorily. The driving band round artillery shells is no longer of copper, but is manufactured from sinter iron, which is apparently also used extensively for other undisclosed purposes. Manganese in special steel alloys has largely taken the place of nickel, and so forth. In locomotives the use of copper and tin has been cut down to a minimum, and the same is reported from most of the mechanical vehicles and machinery. The hardening metals for high-speed tools and for special armour plate have been carefully husbanded.

There is no doubt that pre-war standards in high-quality steel alloys and metal alloys have suffered. Ruthless suppression of civilian production and repeated salvage campaigns may have had the effect of building up stocks of scarce metals. In the last war the reclaiming of metals from alloys was often quite unsuccessful. But these methods have been practised on a large scale in Germany since 1935-36, and considerable improvements may have been worked out. The science of metallurgy is by no means perfect and new methods of changing the composition of metals in alloys may be found. The present consumption of metals in this country and the United States may be a misleading guide to consumption in Germany, for in both countries aircraft ship manufacture is proportionately larger.

Stage by stage, during the war, Germany has passed through periods of relative plenty in some metals and acute shortages of others. At the beginning of the war stocks of imported manganese, chromium, wolfram ore, copper, lead and tin were certainly sufficient for a short war. A tremendous expansion in the manufacture of aluminium, although dependent on supplies of bauxite from the Balkan countries, Hungary and Italy, and the even greater expansion of magnesium based on home supplies of Austrian magnesite and other sources seemed to be enough to meet any possible demand. But these metals were used so extensively that soon restrictions had to be placed on their use, even for military purposes. The reduction plants of these light metals are large-scale consumers of electricity in which they compete with most other substitute industries.

There is no lack of bauxite in German-controlled Europe. A report stated that Hungary aims this year at an output of 2,000,000 tons of bauxite, against 485,000 tons in 1939. Austria and Greece were the largest producers of magnesite, and there are other sources in Germany's potash industry. The limits of expansion in these two metals is set by electricity, materials and labour for the construction of plants. Of the four base metals, tin, copper, lead and zinc, only zinc is available in sufficient quantities. Germany, Poland, and Italy were leading producers. Europe may perhaps be producing a quarter of Germany's pre-war copper consumption and only a fraction of the tin supplies. The output of nickel, mainly in Finland and Norway, is insufficient.

The European output of manganese even after the loss of Nikopol, which is probably near, might just keep up the present output of weapons and munitions for a time at least, and this may also be so of chromium, although the loss of Turkish supplies would create a difficult situation. Wolfram is still imported from Spain and Portugal. Molybdenum, which can be used instead of wolfram-tungsten, is produced in Norway. There is quite a considerable output of antimony in Europe; the metal is used chiefly in the manufacture for storage batteries and babbitt metals which are employed in bearings, and generally speaking for the purpose of hardening lead.

Danger Signals

The most important point is that the tremendous number of metals which are in use in modern industry offer a great variety of substitutions. The introduction of electrolytic reduction, the chemical reduction of metals which were formerly only known as elements and the extensive use of plastics, ceramics and glass make it unwise to assume that, under present conditions, Germany will be forced to end the war simply because of an acute shortage of this or that metal.

The period when Germany was able to capture large stocks of ores and metals has long since passed. The relatively plentiful supply of manganese ore perhaps had its cause in unusually large stocks found in France apart from increased production. In Russia, however, Germany has never fully enjoyed the use of the manganese centre of Nikopol. The Allied occupation of French Morocco, Sicily, Sardinia and Southern Italy has deprived Germany of supplies of pyrites, molybdenum, sulphur, zinc and antimony. Italy's main sources of metals, however, are situated in the north. So far, these losses have been only danger signals pointing to new difficulties and to the necessity of working harder on less profitable sources, either in Germany or in the occupied countries.

The determination to continue the war is producing curious results. All over the continent, particularly in Saxony, Bohemia and the Balkan countries, there are still the traces of the mining activities of the ancient Romans and medieval Germans. Century-old slag heaps and abandoned mines to-day yield small quantities of tin, nickel, wolfram and cobalt. (The last three names recall the anger of medieval German and Bohemian miners thwarted in their search for copper and tin by unknown things which they named after the demons of their folklore.) The labour costs of utilising these remains are tremendous. Germany's metal supply situation has hardly been affected by the bombing of the Norwegian mines; but the destruction of the high quality steel works at Krefeld or the metal works at Dueren would certainly be felt. The loss of the Balkan countries and Northern Italy would at once transform the situation, and, without Hungarian and French bauxite, Czechoslovak manganese and Swedish iron ore, Germany's capacity to continue the war would certainly be crippled.

THE BUSINESS WORLD

Accident Insurance in War

A GOOD deal has been said and written about the assistance rendered by British insurance to the war effort. The mobilisation of overseas assets; the large subscriptions (especially by life offices) to Government loans; the Ship Warrant Scheme for withholding marine cover from goods destined for the enemy; the administration of war damage schemes by the fire offices; and their campaign to reduce fire waste—all are well known. Little has so far been heard, however, of the specific contributions of the accident departments. This shortcoming was made good in an interesting lecture given recently by Mr A. F. O'Shea, accident superintendent of the Royal Insurance Company, before the Insurance Institute of London. Mr O'Shea made available much information not hitherto published. The record contains nothing spectacular, but the long list of special wartime arrangements constitutes in turn a solid body of achievement and adaptation, involving considerable work on behalf of the Government, and many departures from well-established principles and practice.

Of the various classes of business which make up the combined accident account the largest and most important is motor insurance. Partly for this reason, but chiefly because of the many schemes introduced by the Government for husbanding the nation's motor resources, this class takes the leading position in Mr O'Shea's survey. On the outbreak of war, one of the first projects to require consideration related to the insurance of vehicles acquired by local authorities for Civil Defence purposes; and the Ministry of Home Security, in the interests of administrative economy, asked insurers to quote flat premiums, differentiating only between whole-time and part-time use. This was a somewhat startling innovation, because it involved the complete abandonment of the usual rating system, based on such considerations as the type, size and value of the vehicle, the use to which it would be put, and the district; in Mr O'Shea's words, "a small private car in Cornwall was to carry the same premium as a five-ton lorry in London." Moreover, little was known concerning the numbers of each type or the distribution of the vehicles. Nevertheless, a premium was fixed which, in the result, proved to be reasonably correct. Later, on the formation of the National Fire Service, a further departure was made from normal practice in the issue to the Ministry of Home Security of three master policies (likewise at flat premiums) covering all NFS vehicles, and subscribed to by all insurers, who share the premiums and losses.

The insurance of commercial vehicles in wartime has presented many difficult problems, arising from the official Road Groups and Road Haulage Schemes, and the numerous unofficial local groups, mainly among retail traders for pooling of very work. Prior to the war, rates were graded steeply according to the type of licence—"A," "B" or "C"—held; yet, on the introduction of the Road Groups Scheme, insurers expressed their willingness to maintain policies in any general change in rates, although this involved the insurance of "A" or "B" licence work at "C" licence rates. Under the present Road Haulage Scheme, the Ministry of War Transport has a virtual monopoly of long-distance haulage work. A large number of haulage firms were selected to act as "Controlled Undertakings" in different centres, and the insurances of these concerns are being continued without the normal driving restrictions. In addition, other firms were invited to hire their vehicles to the Ministry, and trolled Undertakings" for operation—these are being insured at agreed rates varying only with the tonnage. Insurance is also being provided for the Ministry against its liability as a carrier of goods, this being accomplished by a single policy subscribed to by all interested insurers. A feature of this arrangement is that, although no payments are made in respect of "Government goods," i.e., goods carried on behalf

of other Government Departments, insurers are nevertheless asked to submit reports, so that the Ministry has the benefit of their expert investigations into allegations of negligence.

A question which had to be decided at the outbreak of war was the interpretation to be placed on the war risks exclusion clause. This had been drawn in very wide terms, and it was arguable that any claim arising from the black-out, for example, or through a doctor answering a call "to attend air-raid casualties," was a "consequence direct or indirect of war" and therefore not the subject of indemnity under the policy. Such a situation would, of course, have been impossible, and all insurers accordingly decided in August, 1939, that only claims arising out of specific acts of the enemy or of the defence services would be excluded. Special arrangements were made, however, in connection with the use of private cars for duty purposes. In the case of Home Guard use, a most simple and effective agreement permit anyone to drive cars for Home Guard purposes, including the carriage of fellow volunteers to and from the place of duty; the War Office, for its part, undertakes to relieve insurers of all liability arising out of use in the face of the enemy, and to indemnify them in respect of forces against another. As regards private cars belonging to officers in the regular forces, the use of these for duty purposes was insured at additional premiums which, however, have now been abolished owing to administrative difficulties. Special arrangements were also made from time to time to meet the needs of voluntary organisations, like the Women's Voluntary Service, and to provide insurance in connection with the Volunteer Car Pool, the national reserve of cars created by the Ministry of Home Security for use in emergency.

So much for motor insurance. In workmen's compensation the problem of the transferred employee came before insurers in a wide variety of forms, from the shop assistant who might be called upon to salvage the goods of a neighbouring shopkeeper under a Mutual Aid Scheme to a workman transferred from one employer to another on a semi-permanent basis. But after joint discussions with the Home Office and Ministry of Labour, arrangements were made which safeguarded the workman's position and protected both employers. In 1940, when the London Regional Commissioner assumed responsibility for the demolition and clearance of bomb-damaged buildings in the Greater London area, a Site Clearance Risks Pool was formed to handle the insurance at an agreed loss ratio, an arrangement later extended to other regions. Mr O'Shea states that the experience had proved very much better than was expected in fixing the original rate, because it had been possible to carry out the work without undue haste instead of labouring at great pressure, as had seemed almost inevitable at the time. Ordinary third party (other than motor) insurance—where similar arrangements to those for workmen's compensation were made in connection with site clearance—brought some difficulties created by bomb damage, but insurers "have gone as far as was reasonably possible to place a generous interpretation on the change of risk clause," and have also accepted, often without extra premiums, the additional hazards consequent upon the introduction of shelters, sand-bags and other protective devices, some of which have given rise to serious claims. In burglary insurance, normal requirements in the way of protection have frequently been incapable of fulfilment owing to raid damage or the necessity of permitting access to premises by Fire Guards; another factor has been the extent to which private premises have been left unoccupied during daytime, because of the call for labour. In this latter connection insurers, in response to an approach by the Board of Trade, undertook not to charge a higher rate because of such unoccupancy.

to insist upon reasonable precautions being taken. Stolen goods have a ready market under present conditions and that insurance has remained profitable without any general increase in rates "can be ascribed only to the fact that the best practitioners have been directed to more laudable pursuits." Additional hazards in personal accident insurance were created by the "black-out," and by participation in Civil Defence, Home Guard and other wartime activities, and these were usually accepted without extra premiums. The war risks exclusion clause has been interpreted, in respect of accidents happening in this country, as excluding only specific acts of the enemy or the defence services; assurances were given to the Home Office, in relation to group policies for Volunteer Fire Brigades, and to the Board of Trade, in relation to Home Guards, that the clause would be regarded as excluding only injuries defined as war injuries in the Personal Injuries Act, 1939, so that policy holders would be sure of protection either under their policies or under the Act. A special scheme was prepared at the request of the Ministry of Agriculture for the insurance of school-boys and adults engaged in agriculture,

and a similar scheme is under discussion with the Air Ministry for members of the Air Training Corps. In fidelity guarantee insurance, shortage of staff has in many cases rendered it impossible to adhere to stipulated systems of supervision, but insurers "have generously met many claims which they could have avoided had they wished."

The foregoing conveys, in broad outline, only the highlights of Mr O'Shea's address, which covered the whole subject in considerable detail. Mr O'Shea stressed the co-operation between all insurers—tariff and non-tariff companies, and Lloyd's underwriters—which has been so valuable a feature of the conduct of accident insurance in wartime. Indeed, without such co-operation many of the rating concessions and simplifications would have been impossible. Insurers have, no doubt, been fortunate in that during the war period the underlying trend in loss ratios on the two major classes of accident business—motor and workmen's compensation—has been downwards. This has enabled them to shoulder the additional commitments without noticeable reactions on profits which have, in fact, been better than in many pre-war years.

Business Notes

Motorways

The "Motorways for Britain" exhibition, organised by the British Road Federation and opened on December 9th, in London, has been designed to focus attention on the attractions of a system of high-speed motor roads and, presumably, to create a body of public opinion in favour of their construction as soon as possible after the war. In a speech following the opening ceremony, Sir William Rootes, chairman of Messrs Rootes, Limited, went to the heart of Great Britain's post-war economic problem:—

If we are to retain our prestige in the world, and restore the wealth of these islands, we cannot do so with worn-out tools. Rather must we be prepared to have the best equipment, and fearlessly scrap that which is out of date.

Transport is one of the most important of these tools and, because of its universal use, one of the first that should be brought to the highest pitch of efficiency within the limits of technical knowledge. In its compactness and geographical position Great Britain has a great natural advantage, and one that provides the conditions for the best transport system in the world. The approach to the improvement in the transport system, however, should not be a sectional one. The plea of the British Road Federation for a thousand miles of motorways should be considered in the general context of inland transport needs and facilities. True, the case for motorways is not new. It has long found powerful support, not only among road users and those who provide the means of road transport, but also by technical experts. And the need for an improvement in Great Britain's roads, for fitting them to their modern tasks, need no longer be argued. The question is whether investment of, say, £100,000,000 in the construction of the proposed motorways will yield a higher return to the community than the investment of an equivalent amount in other transport facilities. It may well be that the test of experience would provide a favourable answer, especially on the reasonable assumption that traffic will continue to grow after the war. But a thousand miles of motorways can hardly be constructed in a single year; in practice, the programme might have to be spread over a period of about five years. The best approach, therefore, might be to try them out between a number of suitable points as soon as possible after the war and, if they are successful, to extend them without delay. It is very doubtful whether a subsidy would, or should, be forthcoming from public funds; but if the reduction in transport costs between the points linked by motorways exceeds the interest on the capital invested plus maintenance charges, there should be no need for a subsidy.

Squeezing the Lender

No excuse is needed for returning to the question of the conduct of Brazil as a debtor, since the principles involved are of fundamental importance for all international finance. An opportunity is provided by a further statement of Lazard Brothers. In this case the issue in question is that

of 6 per cent guaranteed mortgage bonds of the Bank of the State of San Paulo. The general history of Lazard's efforts and their experiences are, *mutatis mutandis*, similar to those discussed on page 790 of *The Economist* of last week, but on this occasion there are more details of the action of the Brazilian Government in the matter. After the default of 1931, when the Federal Government ceased payment on some of its loans, including some described as "secured on the Customs receipts," holders of the Bank's bonds continued to receive full service for fifteen months and interest for a further six. This suggests recognition of the fact that, whatever might be happening to Brazil as a whole, the State of San Paulo as the chief source of coffee—and therefore of foreign exchange—was in an exceptional position. Thereafter, until the conclusion of the Aranha Plan, the equivalent of the service was deposited in local currency. Lazard's claimed exemption from that plan on the ground that the bonds were not a Federal, State or Municipal issue. The plea was rejected, but, although the plan provided for the full service in milreis to be deposited, the bonds were excluded from this protection because their service was not included in the Federal, State, or Municipal budgets, and the earlier deposits were withdrawn. At this time the Bank held substantial sterling securities which it realised. Lazard's claimed that the net proceeds should be used for the service of the bonds, since the ostensible reason for the default was merely lack of foreign exchange. This request was not granted, but the Brazilian Government decided that the proceeds should be used to redeem bonds, chiefly by tender. Some bonds were paid off at 47 per cent, but on the last occasion notice was given that no tender above 30 would be accepted.

The position now is that the Bank is very prosperous and is paying a dividend of 10 per cent on a capital which has recently been doubled by a 100 per cent bonus. Meanwhile, it is to pay on the excellently secured bonds in the hands of British investors one-third of its interest and one-tenth of contractual sinking fund. The Bank is, apparently, still in receipt of foreign exchange which it has used to buy up the bonds at low prices caused by default. There is now no shortage of foreign exchange. The milreis—rechristened cruzeiro—is a specified currency of which the Bank of England is prepared to buy any supplies available. Foreign companies operating in Brazil are receiving foreign exchange even to pay ordinary dividends. The whole story confirms the belief, expressed here more than once, that Brazil's intention has throughout been to escape from her obligations as lightly as possible and that she was enabled to do so by persistent disagreement between the representatives of America and Britain, and by the inability or unwillingness of the British authorities to play any effective part in securing reasonable terms. The result is not only to deprive this country of much-needed foreign exchange, but to strike a very severe blow at the carefully built up principles of international lending, a blow from which future lenders and borrowers alike will suffer for a long time to come.

Premium Bonds in India

The Government of India's anti-inflation campaign is gathering momentum rapidly, though not too rapidly for the needs of the situation. Following the issue of a large number of orders attempting to control speculation and hoarding in essential produce and the initiation of substantial official sales of gold in the open markets, the authorities have now decided to start a state lottery. There will be two lotteries, the first consisting of bonds of 100 rupee denomination and the other of 10 rupee bonds. The issue should thus appeal to every part of the income strata in India. The two lotteries will be in series, each totalling 10,000,000 rupees in the case of the larger bonds and 1,000,000 rupees for the smaller. The bonds will bear no interest and will be repaid at par after five years. There will be half-yearly drawings for prizes, which will range up to 50,000 rupees. The total half-yearly prize money will represent 1 per cent of each series, and the funds will thus be raised by the Government of India on a 2 per cent per annum basis. The response to a straightforward 2 per cent loan would probably be negligible. Reports from India, however, already suggest that the demand for the lottery bonds will be on a substantial scale. No limit has been placed on the total issue of bonds, and it is the hope of the Indian authorities that the response will be sufficient to absorb a considerable part of the redundant purchasing power (redundant only in relation to available consumption goods) which has bedevilled the Indian economic system for the past three years. On the general principles involved one would hesitate to applaud the decision of the Government of India; but as an expedient to deal with an urgent and abnormal situation the move will probably be justified. It may be well to remember that the Soviet Government normally has on tap two state loans, one bearing interest at 4 per cent, the other consisting of interest-free lottery bonds which cost the state rather less than 4 per cent. The public response to these issues is of the order of 9:1 in favour of the lottery bonds.

Preparing for Peace

In his address to the annual meeting of Singer Motors, Ltd., Lord Latham, chairman of the company, emphasised the need for adequate preparations by industry to carry out a speedy and smooth transition from war to peace production:—

The capacity of industry to re-absorb those returning from the forces, to find work for those now engaged on munitions, and therefore the avoidance of unemployment, will rest in no small measure upon industry being permitted to plan in advance the means and methods of the change-back to peace-time production and to employ for that purpose a reasonable number of technical and pivotal workers on the essential preparatory work. Works will need to be reorganised; lay-out of plant and machinery restored; and a hundred and one things of that order done, according to particular circumstances, before actual production can be commenced.

In Lord Latham's view, it is not too soon to urge upon the Government to permit, "at the earliest possible moment consistent with the needs of war," the employment, and if need be, the release of such personnel as is required to prepare for a change-over with the least disturbance of employment. Lord Latham's emphasis on the need for preparations is timely. Some of the preliminary work is, in fact, being carried out by the Board of Trade, which is eliciting the views of industry on their change-over problems. But the work might now be carried a stage farther by permitting industrialists, as far as possible, to make the technical arrangements necessary for the speedy resumption of peace production. Of the motor industry Lord Latham said that the change-over problems are neither few nor simple; he could discern no grounds for easy optimism. Industrial firms, including motor manufacturers, will have to undertake substantial capital expenditure in re-tooling, and many of them may not be able to meet this expenditure from their own resources. Lord Latham, obviously, was

anxious to stress the magnitude of the problem. In doing this he was rendering a service to the community, for nothing could be more harmful in its effect than a spirit of insouciance.

Outside Placings

The *Economist* has more than once expressed surprise and regret that the Treasury should forbid the recognised stock exchanges to deal in certain securities, but permit outside houses to carry on a traffic in the same shares. So long as these issues were solely, or mainly, additions to the amount of shares of a given company which already had the same security quoted in the market, the ill-effects of this policy were largely limited to inconvenience to shareholders, the waste of time in settling business and of labour and paper in advertising, and the discouragement of legitimate traders. Recently, however, there has been a large and growing number of cases in which issues of stock in new concerns have been made by this system of private placing outside the stock exchanges. In these cases there is an added danger, and one which may adversely affect the reputation of the Stock Exchange among the unthinking, although nobody but the Treasury will be to blame. It is common knowledge that the law demands certain information in a prospectus which is not insisted upon in an offer for sale. In recent years the new issues sub-committee of the Stock Exchange has added to its demands until the information which has to be published, before it will grant permission to deal in an issue by either method, considerably exceeds that required by law for an offer by prospectus. This is a great protection for the investing public. It stops some issues altogether and it draws the attention of the investor to some at least of the relevant facts concerning those which are made. The outside houses, naturally enough, make no such stipulations, and, too often, either little is heard of the actual placing or the information is insufficient for anyone to pass a reasonable opinion on the issue's merits. It almost seems as if the Treasury's view is that anyone foolish enough to place his savings in anything but British Government loans deserves to lose them. Such a rigid and partial interpretation of the investor's obligations would be a disservice to the country, even in wartime when, in any case, a ban on issues is possible. There is reason to suppose that the dispersal of savings will continue. Every effort ought always to be made to reduce the number of cases in which the dice are weighted against the investor. But special care is essential with a host of small savers in order that they may be encouraged to take the legitimate risks without which the finance of real enterprise is impossible. The Stock Exchange has, for well over a decade, done its best to achieve this object. It is particularly hard that it should be thwarted by a department whose duty is surely to promote sound financial principles without discouraging initiative.

TDR's on Top

The November clearing bank returns published towards the end of last week, show one interesting change—the overhauling of investments by Treasury deposit receipts as the banks' largest asset, which has been so long prophesied and so inexorable in its coming that it has lost much of its news value. Last month's jump in the banks' TDRs amounted to £51,500,000 and carried their total to £1,186,500,000. Investments for their part also rose, but by only £8,730,000 to £1,166,863,000, and so are displaced from their leading position on the assets side of the aggregate return. Given the big TDR demands made on the banks this month, the gap between the two items must be widening very rapidly. The other important movement shown by the returns is a fall of £15,910,000 in loans and advances. This item, which touched £1,013 million in October, 1939, has dropped almost continuously to £723,962,000. The chronic liquidity of commercial and industrial concerns in this country is reflected in this substantial and continuous repayment of bank advances. More and more of the working capital required by war industry is being provided by the progress payments of the supply departments. Deposits last month rose by £51,862,000 to a new record level of £3,864,550,000. Their real rise was understated by £7,434,000, since cheques in course of collection and items in transit fell by that amount during the month.

Chinese Exchange Control

Messages received from Chungking suggest that important changes have been taking place in the mechanism of exchange control in China. The Chinese Currency Stabilisation Board, on which Britain and the United States were represented as well as China, has been dispossessed of some of its functions, and from December 1st these have been taken over by a purely Chinese Exchange Control Commission. The Commission has restricted foreign exchange dealings to nine authorised banks. That seven of them are Chinese institutions and the other two are the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China. This restriction of exchange business to a few selected institutions is of no great importance at the present moment. Chinese exchange business has virtually disappeared and is merely concerned with the trickle of charitable, diplomatic and personal remittances to China. In any case the Hongkong and the Chartered are now the only foreign banks represented in China. Their inclusion in the list of authorised exchange banks must not necessarily be taken to imply the exclusion of all other foreign banks from exchange business when normal conditions return and the great Chinese ports are once again opened to international trade. Without freedom to engage in exchange business few foreign banks would choose to return to China, and the latest regulations will probably be modified in due course.

Barclays Bank (D.C. and O.) Follows the Flag

Special interest attaches to the annual reports of Barclays Bank (Dominion, Colonial and Overseas), for this is the institution which has followed the British armies in their conquering advance through East and then North Africa. The latest report announces that the branch in Addis Ababa, opened in July, 1941, has been closed, the special needs for which it was established having been fulfilled. But branches have been opened in Libya, at Tripoli and Benghazi, and in Somalia at Mogadishu. The bank has played a great part in serving the needs of the Mediterranean and Middle Eastern armies, and this no doubt helps to explain the exceptional expansion in its figures over the past three years. Between September 30, 1940 and 1943, its deposits have risen from £126,501,000 to £247,774,000. The expansion over the past year finds its main counterpart in cash, bills, and investments. The bank has shared the experience of most British banks in finding very poor demand for its advances. The general increase in liquidity responsible for this has had the effect of releasing a considerable proportion of the funds which the bank had previously set aside as provision for doubtful debts. As a result, £300,000 has been transferred from this source to the Reserve Fund which has thus been raised to £3,600,000, against an issued capital of £4,975,000.

Australian Exchange Control

The Australian exchange control regulations have this week been tightened in order to cover certain activities of overseas subsidiary companies controlled by persons in Australia. The most important amendment is one which allows the Australian authorities to compel persons controlling such a subsidiary to declare and pay a dividend if the position of the subsidiary warrants it. By ploughing back the profits of such subsidiaries it has been possible for certain persons in Australia to evade the exchange regulations, since the profits in question were retained in the subsidiary's country of operations and thus withheld from the Australian Exchange Control. If a dividend is actually declared, the exchange in question must be offered to the control in exchange for an equivalent amount of Australian currency. These amendments of the Australian regulations bring them into line with the provisions of the United Kingdom Defence (Finance) Regulations. Under section 5C of these regulations the Treasury or its agent is given considerable discretionary powers over the activities of overseas companies controlled by residents in the United Kingdom. This section was purposely drawn in wide and general terms, which give the authorities effective control not only over the disposal of such companies' profits, but over changes in their assets.

South American Bank Proposal

Another evidence of the sectional approach to the problem of international monetary reconstruction is provided by a message from Rio de Janeiro reporting proposals for the formation of a "Bank of the American Nations." The suggestion was made at a meeting of the Brazilian Economic Congress which represents all important industrial and commercial associations in the republic. The undisclosed author of the plan proposed the creation of an inter-American bank in opposition to the White or Keynes proposals, which, he said, were unacceptable to the South American nations. The new bank would issue currency based not on gold but on the production of the member countries; it would stabilise the exchange values of their currencies and provide a clearing system for settling payments between them. There is no reason why such a project should not take shape and ultimately weld itself in the wider pattern of a truly international monetary system. The Belgo-Dutch monetary agreement has already shown the way in which regional agreements of this kind can be made compatible with currency plans made on a fully international basis. Indeed, the fewer the units that have to be welded into an international system, the easier the task of instituting that system will be. The main obstacle in the way of the South American scheme will be to obtain the required hegemony of monetary policy among the various countries concerned. Past experience has shown that in no other part of the world has there been greater disparity in currency and credit technique and in commercial and financial morality. If some unification can be achieved in these matters, the cause of international stability—whether underpinned by a White or Keynes plan—will have been served.

The Coal Control

It was not expected that the miners would be enthusiastic about the Government's new plan for improving the control over the coal industry, since they have consistently maintained that, without financial as well as operational pooling, the Ministry's Regional Control cannot function effectively.

HOME SERVICE

In the Prudential this means:

- ★ Attendance each week on policy-holders at about 5,000,000 homes.
- ★ Payment each week of £500,000 in claim moneys to policy-holders at their homes, often within 24 hours.
- ★ Payment each week of £100,000 to members of The Prudential Approved Societies at their homes.

"Home Service" follows Prudential policy-holders and Approved Society members wherever they go. Holders of more than 2,500,000 policies change their addresses each year—continuity of "Home Service" is assured to them.

THE PRUDENTIAL ASSURANCE CO. LTD.,
Holborn Bars, London, E.C.1

PLANNING

A regular publication which brings you the facts about industrial and social problems.

Subscription £1 p.a. Write to the Secretary,
POLITICAL AND ECONOMIC PLANNING,
16, Queen Anne's Gate, London, S.W.1.

The Miners' Federation has now turned down the scheme, as completely inadequate to meet the needs of the present situation. The Minister of Fuel's proposal to group the pits in each region, under group production directors, would simply have the effect of strengthening the position of the present colliery company agents, and undermining the authority of individual colliery managements. The only difference it would make would be that company agents would be paid from the Coal Charges Account instead of by their coal companies. The whole position is extremely unsatisfactory, and the sharp decline in output during the last four weeks—shown in a table on page 828—increases the need for speedy decision. Last month only two districts qualified for the output bonus, and it is surely time that Lord Greene's recommendation that the bonus should be transferred from a district to a pit basis should be adopted. The miners and the Government agreed to the proposal some ten weeks ago, but the owners, for no very clear reason, have apparently delayed the decision indefinitely. The miners are particularly resentful at the delay in dealing with their wage claim, which is the principal grievance in the coalfields. They have asked the owners to grant a minimum of £6 a week for underground and £5 10s. for surface workers. If no agreement is reached, the claim will be referred to the Tribunal.

Coal Utilisation Research

With the continuing decline in coal production and the difficulties of maintaining the industry's manpower, the need for maximum economy and efficiency in coal utilisation becomes more pressing, and it is satisfactory to learn from Sir Evan Williams' presidential address that the British Coal Utilisation Research Association has made excellent progress during the past year. BCURA is now six years old, and has become the largest co-operative industrial research enterprise in the country. One of the most important developments has been the research into hydro-carbon oils from coal by more efficient methods than the German Fischer-Tropsch process, which is highly wasteful of coal. The Association is also co-operating in the development of chemical products based on coal. The increased efficiency in coal utilisation will be of direct benefit to consumers. A coal fire has been evolved, which, it is claimed, will dispose of the smoke problem, and have a heating efficiency more than double that of the old-fashioned fire. Plans for the mass production of this type of fire are now fairly advanced. The Association has acquired a site at Leatherhead for a central coal research station, and it hopes for the necessary priorities after the war to enable it to be equipped with the most up-to-date plant and facilities. As Sir Evan pointed out, "If we are to maintain our place as an industrial nation in the future, the acceleration of scientific research will be one of the most urgent national duties."

"The Industrial Ten"

The President of the Board of Trade promised that arrangements would be made for the issue of ten additional clothing coupons to industrial and agricultural workers in the current rationing periods as in the last. Accordingly, he announced in the House of Commons on December 14th that applications for the coupons could begin on the following day. The principles follow closely those laid down in the last rationing period. The coupons are distributed by employers, and the onus for applying for them rests with the worker, through the works committee, where one exists. The list of fifty occupations which qualify for the coupons is substantially the same as the last, under which twelve and a half million men and women qualified. Special arrangements are again being made for certain industries such as mining, heavy chemicals and shipyards, in which workers have exceptionally heavy clothing needs. Last year there were two million workers in this category, who qualified for coupons in addition to the "industrial ten." During the current period eligibility for these coupons is to be extended to another three-quarters of a million workers, although ten per cent of those available in the last period were returned.

Cotton Wages Advance

Cotton spinning and weaving operatives are to receive an advance in wages from January 10, 1944, after consideration of their claim by the Conciliation Board, under the chairmanship of Sir Charles Doughty, K.C. The rise agreed upon is a flat rate of 4s. a week for adults and 2s.

a week for juveniles, one-third of the original demand made by the trade unions last month. The increase is to be paid on the same terms and conditions as the increase of 5s. a week granted last January. It is estimated that the higher wages will cost the industry about £35,000 a week, and that it will raise production costs by 2 to 3 per cent. It is believed that employers have already applied to the Cotton Controller for a revision of the fixed yarn and cloth prices to cover the higher production costs.

P & O Accounts

Some changes in the method of presenting their balance-sheet, which certainly achieve a more logical grouping if not increased information, make it difficult to compare the accounts of the Peninsular and Oriental Steam Navigation Company with those of last year. The chief difference, for this purpose, is that current taxation, including provision up to the maximum liability for E.P.T., is shown as a separate item instead of being knocked off the earnings of the fleet. The deputy-chairman, Mr Lang, remarks that, were both to be calculated on the new basis, this year's net profits would be £45,293 higher than last year's, the improvement being due to a larger income from Government securities. The earnings of the fleet may, therefore, be assumed to be, and the dividends from subsidiaries are shown to be, roughly the same as last year. However, if there is first deducted the allocation of £75,000 to provident good service account, which received nothing last year, earnings on deferred stock are slightly lower at £820,469, or 27.9 per cent, against £830,342, or 28.1 per cent. The usual 8 per cent dividend is paid on deferred stock, while the company's reserves, already very strong, are further strengthened by considerably more than last year. The capital position of P and O is a more interesting study than its trading figures. A new contingencies reserve of £1,300,000 has been created, consisting of various war risks provisions, which seem likely to be no longer needed for their original purposes, and of a reserve against contingencies which was previously included among current liabilities; one effect of the previous arrangement was to disguise the true strength of net fixed assets. Tonnage replacement reserve now stands as much as £4,000,000 higher at £7,790,177. In addition to this, there is available for fleet replacement, which is, nevertheless, stated by the deputy-chairman to be a cause of considerable apprehension, a sum of £1,755,100 to the company's credit in the Government tonnage replacement account, against £568,800 last year. The effect of these changes is set out in a table on page 827. Part of this increase is due to the changed presentation of contingencies reserve already mentioned, but the major part is due to an increase of over £3,700,000 in gross liquid assets, which are held mainly in the form of Government securities. Certainly, however considerable the amount of the fleet which has to be replaced—the gross valuation exceeded £21 million in 1941—the P and O has already accumulated a substantial amount towards it. The lack of consolidated statements of profits and assets make it impossible, however, to gauge the true position of the group.

Diamond Shares Payments

Final dividends have been declared during the past few days by three of the four concerns interested in diamonds in which the public is principally concerned. De Beers and Consolidated Diamond Mines of South West Africa pay dividends cover the present calendar year, and that of CAST is

	High 1943	Low 1943	Close Dec. 15th	Dividends Paid 1942-43	10-Year Average	Yield %
Anglo-Amer. Trust 20/-	69/9	35/-	57/6	115	\$6-75	15-36
Cons. African Sel. 1st 5/-	26/-	17/-	22/6	20	12 5	44-47
Cons. Diamond Mines 10/-	47/3	13/10 1/2	39/-	45	8-5	11-92
De Beers Deft. 50/-	460/-	212/6	375/-	70	16	9-59

† For 1942. ‡ Approximate, based on present capital. § Seven years. * Free of tax.

for six months earlier. Anglo-American Investment Trust has still to make its intentions known. The De Beers payment has been described as disappointing, although it is almost double that of 1942, and in general the announcements have led to lower quotations. That there is plenty of room for disappointment is shown by a comparison of

Tuesday's prices with the maximum of the year, which showed a fall of the order of 22½ per cent. Since then a recovery has produced the position set out in the table. *The Economist* has already committed itself to the view that, with good management, and owing to the development of the demand for industrial diamonds, the quasi-monopolistic position of the South African diamond group should enable them to avoid a collapse such as occurred between the two wars. This does not mean, however, that it will necessarily be possible to support even the present level of prices.

Seamen's Welfare

A Committee on Seamen's Welfare in Ports has been set up jointly by the Minister of Labour and the Minister of War Transport, under the chairmanship of Mr H. Graham White, MP. Its wide and comprehensive terms of reference are:—

... to consider the activities and functions respectively of the Government, the shipping industry and the voluntary

organisations in the establishment and maintenance of hotels, hostels, clubs, recreational facilities and other amenities for merchant seamen in ports in Great Britain and in that connection, to consider, in consultation with the voluntary organisations primarily concerned with merchant seamen, their appeals for funds not only for welfare but for benevolent and samaritan purposes whether for expenditure in Great Britain or elsewhere, and to submit recommendations.

The Committee is composed of representatives of ship-owners, trade unions, voluntary organisations and an accountant, and it has received a cordial welcome from the Merchant Navy. That is not to say that seamen's welfare has hitherto been entirely neglected by the Government. In October, 1940, the Seamen's Welfare Board was constituted to advise the Minister of Labour. It has set up and reconstituted local welfare committees in the ports, and under its auspices clubs have been opened. Recommendations of the Joint Maritime Commission of the International Labour Conference have been recognised in the terms of reference of the Graham White Committee. Possibly the chief task of the Committee will be to decide

(Continued on page 827)

BRITISH CELANESE LIMITED

Report of the Directors for the year ended 3rd July, 1943.

To be presented at the TWENTY-FOURTH ANNUAL GENERAL MEETING of the Company to be held at THE GREAT HALL, WINCHESTER HOUSE, 100, OLD BROAD STREET, LONDON, E.C.2, on Tuesday, the 21st day of December, 1943, at 12 noon.

The Directors herewith submit the Report and Accounts for the year ended 3rd July, 1943.

The Balance of Trading Account (after charging cost of Production, including provision for Deferred Maintenance) amounted to ... £3,369,147

The Profit, after providing for General Sales and Administrative Expenses, Excise Duty, Adjustments of Stock Values, Research and Advertising, Patent Rights written off during the year and Directors' Remuneration, amounted to ... 2,181,346

Add—
Bank Interest ... £15,186
Dividends (gross) on Shares in Associated Companies and Sundry Securities ... 14,042
29,228
2,210,574

Deduct—
Depreciation ... £376,000
A.R.P. Expenditure, proportion written off ... 11,422
387,422
Interest (gross) on—
5½% Mortgage Debenture Stock ... 143,254
4% First Mortgage Debenture Stock ... 839
4% Debenture Stock ... 14,388
158,481
Expenses of Issue of 4% First Mortgage Debenture Stock and Redemption of 5½% Mortgage Debenture Stock; proportion written off, less Reserve provided in previous years ... 4,268
Provision for Excess Profits Tax and Income Tax ... 1,312,000
1,862,171

Balance for the year ... 348,403
Brought forward as at 27th June, 1942 ... 511,988
Balance available ... 860,391

Deduct—
(i) Dividends (less Income Tax) on £2,500,000 7½% Cumulative First Preference Stock paid in respect of the year ended 30th April, 1943 ... 87,500
(ii) Interest (less Income Tax) on £1,699,947 5% Funding Certificates paid in respect of the half-year ended 30th April, 1943 ... 21,249
(iii) Dividends (less Income Tax) on £4,250,000 7½% Participating Second Cumulative Preference Stock paid in respect of the year ended 30th April, 1943 ... 159,375
(iv) Funding Certificates purchased and cancelled at the time of issue ... 53
268,177

Leaving to be carried forward as at 3rd July, 1943, free of tax ... £592,214

Trading for the year under review continued to be dominated by Government restrictions due to war conditions.

The balance of Profit (before provision for Taxation) of £1,660,403 compares with the previous year's amount of £1,498,495. The scope of the Company's activities for some time past has covered a much wider field than that of Textiles alone.

CAPITAL EXPENDITURE, MAINTENANCE AND DEPRECIATION.—Net Capital additions for the year in respect of British Celanese Limited and its Subsidiary Companies amounted to £489,391. The amount expended during the year on Maintenance of Buildings, Plant and Machinery, together with a provision for Deferred Repairs, amounted to £568,592. As a result of the transfer of certain assets to a Subsidiary Company, the provision of £376,000 for Depreciation is lower than that for the previous year.

4% FIRST MORTGAGE DEBENTURE STOCK.—4% First Mortgage Debenture Stock was created in April, 1943, limited to a total Authorised amount of £3,000,000, of which £2,572,761 has been issued and was outstanding as at the 3rd July, 1943, in substitution for a similar amount of 5½% Mortgage Debenture Stock which was fully redeemed on the 30th June, 1943. The expenses incidental to the issue of the new 4% First Mortgage Debenture Stock totalled £158,033, of which £124,955 has been carried forward in the accounts submitted.

4% DEBENTURE STOCK.—A further £238,000 of this Stock was issued during the year, bringing the total issued as at 3rd July, 1943, to £400,000, out of a total Authorised amount limited in the first instance to £550,000, which may be increased to not exceeding £1,500,000 as provided by the Trust Deed securing the Stock, subject to the conditions therein contained.

RESEARCH AND ADVERTISING.—The amount written off for the year, including Patent Rights, amounted to £170,587, which compares with £163,227 for the previous year. The amount carried forward is £179,104.

TAXATION.—The provision for taxation in the Accounts submitted is sufficient to cover the Excess Profits Tax liability and in addition, as formerly, the ultimate Income Tax liability based on the present standard rate, on the profits to the 3rd July, 1943.

WAR DAMAGE CONTRIBUTIONS AND PREMIUMS.—The liability for the year amounting to £53,766 has been added to the amount carried forward in Suspense Account, which now totals £252,133.

FUNDING CERTIFICATES.—In accordance with the conditions of issue of the Funding Certificates, the amount of £14,639 requires to be applied out of the profits for the year for the purchase or redemption of Certificates.

BOARD OF DIRECTORS.—The following Directors retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election:—Mr. Walter MacLachlan; Mr. Thomas Levy, M.P.; Dr. M. Soller.

AUDITORS.—The Auditors, Messrs. Thomson McLintock & Co., retire and, being eligible, offer themselves for re-election.

By Order of the Board, W. H. POXON, Secretary.

CELANESE HOUSE,
HANOVER SQUARE, LONDON, W.1.
2nd December, 1943.

COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

FIELD-MARSHAL LORD MILNE'S ADDRESS

The annual meeting of the shareholders of the Commercial Bank of Scotland, Limited, was held, on the 16th instant, at Edinburgh. Field-Marshal Lord Milne, G.C.B., G.C.M.G., D.S.O., the deputy-governor of the bank, presided in the absence, through illness, of the governor, the Earl of Mar and Kellie, K.T. Before commencing the business of the meeting the deputy-governor made suitable reference to the loss sustained by the bank during the year through the death of Lieut.-Com. Sir August B. T. Cayzer, Bart., one of the extraordinary directors.

The deputy-governor in submitting the report said:

I am sure we all very much regret that illness has prevented the governor of the bank, the Earl of Mar and Kellie, K.T., from taking his accustomed place to-day, and I propose, with your approval, to express to him our sympathy and the hope that he will soon be restored to health again.

His Lordship's absence provides for me the opportunity and pleasure of meeting you again and submitting for your approval the report and accounts on the working of the bank for the past year. The figures, with which we will deal, reflect very clearly war-time trends, and I should like to place before you, particularly as we meet at a time when the course of the war with Germany has turned in our favour, to what extent and in what ways this old institution has met the needs of the times through which we are passing.

RELEASE OF MAN-POWER

In the first place, as a soldier, I am interested to hear what it has been possible to achieve in the way of release of man-power for the Services. Looking to the fact that out of a pre-war male staff numbering 1,352, no less than 804 men have gone to the Services, I think you will agree with me that it reflects the very greatest credit upon the small remaining pre-war staff and the temporary female staff, which has had to be recruited and trained, that the day-to-day business, which in many directions has been increased by war conditions, has been carried on with so little, if any, inconvenience to the public. Not only has this large proportion of men been released by the substitution of women who, as I have said, have had to be trained, but the total number now employed is some 15 per cent. less than the pre-war figure.

ALLOWANCES TO SERVING MEN

I think you will be interested to note the attitude your directors have adopted towards the question of allowances to serving men, and I am glad to be able to say that a system of fixed allowances, based on salary, has been in operation throughout the whole period of the war. These are not diminished when men obtain promotion and increased emoluments in the Services. As a result there remains a stimulus towards application and the acceptance of responsibility which I regard from my experience to be of the very greatest value, both now and in the future. I think that you have every reason for satisfaction that such a wise, generous and farseeing policy has been adopted by your governing body. An analysis of the ranks reached in the three Services, recently compiled, shows that there are approximately 40 Officers in the Royal Naval Volunteer Reserve, 160 Officers in the Army, and 50 Officers in the Royal Air Force, drawn from the staff of the Bank. Many others have reached senior non-commissioned rank and 12 of our staff have been decorated or mentioned

in despatches. Fortunately the casualties so far have been on a very much lighter scale than in the last war, but even so, 33 have been killed or died on Service, three are missing and 17 are prisoners of war. To the relatives who are suffering bereavement or passing through times of grave anxiety I would express our profound sympathy.

BALANCE SHEET—LIABILITIES

Turning to the balance sheet we find very substantial increases under nearly all heads. The Note Circulation has again increased by nearly £900,000 and stands at the high figure of £8,641,000.

Deposits and other credit balances have reached the record figure of £76,556,000, or over £8,000,000 more than a year ago. That increase is spread generally throughout our branches.

Acceptances and engagements on account of customers are also higher.

ASSETS

On the assets side you will find the first five items, representing cash, bank balances, money at call and short notice, and British Government treasury bills and deposit receipts make a total of £29,000,000. To that is added the amount of our investments, which for practical purposes, are now almost entirely British Government Securities. These amount to over £50,000,000, and when added to the cash items provide a total of just over £80,000,000 or 94 per cent. of our liabilities to the public in respect of Notes in Circulation and deposits. The British Government Securities have been carefully chosen as to maturity dates, and it is satisfactory to note that the market value at the date of the balance was greater than the amounts appearing in the balance sheet.

Bills discounted and loans and advances together amount to £9,695,000, which is a low figure in relation to our resources. Our experience of a reduced loan and advances item has been common to most banks and is incidental to the circumstances of war-time finance. Ready and liberal facilities have been granted to our customers engaged in the carrying-out of contracts for the Government, but the intervention of Governmental Controls in many commodities and the liquidation of stocks by customers who, in normal times, required seasonal finance for replacement purposes, have tended to keep our advances figure lower than would normally be the case. It can be seen, however, that we are in a very favourable position to meet the demands of our trading customers when, as we hope may be the case at no very distant date, they can again utilise properly the facilities available to them.

Our property accounts show only minor change in the year.

PROFIT AND DIVIDENDS

As to this year's results, it is satisfactory to note that the profit at £320,792 is £34,517 more than the previous year. Out of that profit the directors have allocated £70,000 to reserve fund; £50,000 to a fund for deferred repairs and renewals to property; £40,000 as an addition to the funds of the Pension Trust and £10,000 to the Widows' Fund.

Interim Dividends on the "A" shares of 7½ per cent., and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent.

for the year) and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income tax, be approved. After payment of these dividends and allocations the carry forward to next year's account amounts to £69,655.

RESERVES

In addition to the £70,000 added to the reserve fund from this year's profits, you will have noticed that the sum of £230,000 has been transferred to the fund from contingency account. During the years of great uncertainty through which we have been passing allocations have been made to contingency account instead of to reserve fund, and I think you will agree that it is satisfactory that the directors now feel it suitable to make this transfer to the published reserve, bringing it up to £3,450,000, or £1,200,000 more than the paid-up capital of the bank. It is obviously desirable, in view of the substantially increased figures of the balance sheet, that the ratio of capital and reserve to public liabilities should, if possible, be increased.

CONTRIBUTIONS TO GOVERNMENT LOANS, NATIONAL SAVINGS CERTIFICATES AND BONDS

It may interest you to know that our direct contributions in new money to the Government during the war, by way of loan in one form or another, now amount to £36,000,000, and on behalf of customers, loan applications have passed through our hands aggregating almost £39,000,000, of which more than £14,000,000 represents small savings invested in National Savings Certificates or Bonds of small denomination, giving a grand total of approximately £75,000,000. I think, therefore, from what I have said it will be evident that our contribution to the war effort in man-power, finance and general service, has not been an unimportant one.

TRIBUTE TO STAFF

I feel that in these difficult times a special word of thanks and praise is due to the bank staff. Four years of war means four years of strain, physical, mental and, at times, financial. A strain which the civilian population of this country has endured with superb courage and ceaseless devotion to the duty on hand. In the efficient services of the bank there has been no relaxation of effort. Great credit is due to our public spirited general manager, Mr Erskine, and to the loyal and competent officials and staff of the bank, both at head office and throughout the branches. Later I will ask Sir Thomas Henderson to propose a special vote of thanks to that effect.

The Deputy-Governor then moved the adoption of the report and the motion, having been seconded by Mr Inglis, was put to the meeting and carried.

VOTE OF THANKS TO DIRECTORS AND STAFF

At the close of the meeting, on the motion of Sir Thomas Henderson, a vote of thanks was accorded to the directors and the staff for their services during the year, and acknowledgment was made by Mr Houston on behalf of the directors and by Mr Erskine, the general manager, on behalf of the staff.

CANADIAN BANK OF COMMERCE

RECORD TOTAL ASSETS FIGURE

At the annual meeting of The Canadian Bank of Commerce, held in Toronto on the 14th instant, the president, Mr S. H. Logan, paid high tribute to Britain for the Allies' fortunate position to-day and said that the achievements of Great Britain alone constituted an imperishable epic in human history. The Allies' war effort was now supported by the full power of the United Nations with an armament about

three times greater than that of the Axis, of which the British Empire produces nearly a quarter. American war production was now sufficient to equip ten million men for the armed Services and provide lease-lend supplies of nine billion dollars annually. Canada's war effort was on a vastly greater scale than last year, and she was now the third largest exporter in the world. To carry on foreign trade after the war, however, Canada would have to meet the needs of world consumers in a highly competitive market, but after first post-war uncertainties the demand for civilian goods, aided by rehabilitation, would bring high employment and generally active business.

The general manager, Mr S. M. Wedd, said that the bank's total assets were now the highest in its history and there were over one million deposit accounts. This year Canada's industrial activity had reached a new high record, but her primary industries all showed lower production. The shift from war to peace economy would inevitably complicate matters, but he thought a smooth readjustment could be achieved through the co-operation and determination which had characterised Canada's outstanding contribution to the war.

GOODE, DURRANT AND MURRAY, LIMITED

A SATISFACTORY BALANCE SHEET

MR JOHN HEWITT'S STATEMENT

The forty-fifth ordinary general meeting of Goode, Durrant and Murray, Limited, was held, on the 15th instant, at Woodberry, Wood Road, Hindhead, Surrey. Mr John Hewitt (chairman of the company) presided.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts and was taken as read:—

I have pleasure in presenting the company's balance sheet for the year ending July 20, 1943. During the year under review controls comprising licences, allocations, sponsorships, &c., have certainly not been relaxed, but I am glad to report that, in spite of the difficulties with which we had to cope, the balance sheet which I have to present can, in the opinion of the board, be described as quite satisfactory.

As I advised you in my remarks at last year's annual meeting the board had decided to redeem the £111,000 of 6½ per cent. notes then outstanding, and this was accomplished on December 20th last.

This sum, of course, had to be remitted from Australia, and the consequent loss of exchange, amounting to £27,750, had to be faced, the greater portion of which has been found from the profit of the year now under review.

It is this charge that accounts for the drop in the balance of profit in comparison with the figures shown in our last balance sheet, amounting to £9,588.

DIVIDEND MAINTAINED

The charge of £3,006 in these accounts is for interest for five months for the now extinct note issue, and, as it is a non-recurring charge, your directors feel justified, in spite of the reduced amount of profit shown, in recommending the continuation of the small ordinary dividend of 2½ per cent. The payment of this dividend will still enable us to carry forward from this year's profits a sum of £2,286, thus bringing the total carry forward figure to £11,873.

Since my last report the company's standard for excess profits tax has been agreed with the Income Tax Authorities, but, owing to past losses and deficiencies, there is no liability under this heading at the present moment.

Turning to the balance sheet, you will find that our liability has increased by £136,000, and reserves for income tax, exchange, etc., show an addition of £25,000,

but if we deduct the £111,000 outstanding on notes last year the net increase in liability is £50,000, whereas our floating assets show an increase of £69,000. The total of floating assets is more than double our floating liabilities. Cash in hand and at bank, at £105,000, shows a reduction of only £10,398, in spite of the fact that we have had to find £111,000 from our cash for the liquidation of our note liability.

The report and accounts were unanimously adopted.

IMPERIAL SMELTING CORPORATION, LIMITED
BUSINESS WELL MAINTAINED

The fourteenth annual general meeting of Imperial Smelting Corporation, Limited, was held, on the 16th instant, in London.

Mr P. E. Marmion presided in the unavoidable absence of Mr John R. Govett (the chairman).

The following are extracts from the chairman's statement circulated with the report and accounts: The profit of the corporation amounted to £119,167 net, which compares with £119,352 net in the preceding year. The directors recommend a dividend on the ordinary shares at the same rate as last year, namely, 4 per cent.

The Corporation's E.P.T. standard plus the income from outside investments this year is equivalent, after meeting the preference dividend, to 7½ per cent. on the ordinary capital. The items, however, disallowed for E.P.T. and income tax, viz., War Damage Insurance, sinking fund allocations, etc., plus tax thereon, amount to £92,000, or equivalent to approximately 3½ per cent. on the ordinary capital. In view of the uncertainties of the future your directors deem it expedient to continue to debit these items to revenue account. I need not concern you with the question of profits in excess of 7½ per cent., for, in effect, E.P.T. absorbs any surplus that is earned.

The Corporation and its subsidiary companies have continued to play their part in war production and have again responded well to the many calls that have been made upon them.

EFFICIENT UTILISATION OF RESOURCES

The products of the industries in which we are engaged are essential to the national defence as well as to many of the country's major peace-time industrial activities. While the war lasts our sole objective must be the efficient utilisation of all our resources in the national interest. This duty, however, has not prevented the study of new problems in both production and fabrication which it is clear we will have to face when peace and reconstruction take the place of war and destruction. We feel justified in believing that industries which are essential to peace as they are to war will be expected to continue their activities without diminution, and we are framing our policy for the future in accordance with this belief. Our success will depend on our ability to maintain our operations, and in so doing giving security of employment to a large body of men. I am hopeful we will succeed.

The works councils, to which I referred last year, have fulfilled our expectations to the utmost. The councillors, representing both management and employees, have given of their best, and I am satisfied that the results attained will go far in promoting and maintaining the good relations so essential to good work. To them I express my thanks.

The National Savings Groups at all of our works have shown substantial increases in the amounts subscribed, and it is worthy of note that during the recent Wings for Victory Campaign our staff and employees contributed a total of over £45,000, while in our Swansea works subscriptions amounted during that week to the very satisfactory figure of £17 per head.

The report and accounts were unanimously adopted.

ANSELLS BREWERY, LIMITED
CO-OPERATION ON TOWN PLANNING

The forty-third ordinary general meeting of Ansell's Brewery, Limited, was held, on the 10th instant, at Birmingham. In the absence of Lt.-Col. J. A. Fairhurst, T.D., D.L., J.P., the chairman, Mr A. E. Wiley, deputy-chairman, was in the chair.

The following is an extract from the chairman's statement issued with the report and accounts:—It is not only on financial grounds that we are justified in taking pride in our accomplishments during the war. For the last four years we have managed to keep open our licensed houses and have supplied them to the best of our ability. We have not, of course, been able to satisfy completely the demand owing to the shortage, but we have allocated the available supplies to our various customers with scrupulous fairness and we make a point of advertising our prices and displaying them in every house under our control.

A COMMON FALLACY

In consequence of our exertions many millions of the public have been able to meet in our public houses and enjoy the warmth, light and company together with their favourite refreshment, if available, be it excisable or otherwise. It is a common fallacy for those who do not frequent public houses to imagine they are compelled to have a strong drink. As a matter of fact we sell and are glad to do so the maximum quantity of mineral waters that is allowed to us by the War-time Soft Drink Industries which is controlled by the Government.

The position as to post-war reconstruction, which is so vitally important to us, has not materially altered since the information I gave you in my speech last year.

Mr Wiley (Joint Managing Director), in the course of moving the adoption of the report and accounts, said: When the maintenance work is postponed—as it must be at the present time—there is always the risk of heavier depreciation and undoubtedly when peace comes and restrictions are lifted we must be prepared to lay out very large sums in maintenance work. In addition we must also be ready to develop and improve our properties in line with the steps which are being taken by the authorities for replanning the cities and areas in which we conduct our business. Unquestionably, when the time comes, the expense will be heavy and therefore we must continue to pursue the conservative policy in regard to finance which has been so beneficial to this company in the past.

BEER DUTY BURDEN

Mr Walter Scott, J.P. (Joint Managing Director), in seconding the motion, said: Colonel Fairhurst in his statement has dealt with post-war reconstruction, but one of the first matters with which the Government will be confronted is the question of a substantial reduction in the Beer Duty, which during the two wars has risen from 7s. 9d. in 1914 to 28s. 10d., being over 36 times greater now. Beer drinkers, with hardly a murmur, have accepted this exorbitant increase as a war measure, but cannot be expected to bear such a disproportionate burden indefinitely.

The collection of revenue, however, is dependent upon our products and the social amenities that go with them giving satisfaction to our customers. Taking our sound financial position as a measure of our success in this direction, we are entitled to congratulate ourselves upon our efforts in dispensing good cheer to the millions of customers who appreciate the help good beer is able to give in these depressing times.

The report and accounts were approved.

THE NATIONAL BANK OF SCOTLAND, LIMITED

FURTHER SUBSTANTIAL PROGRESS THE MARQUESS OF ZETLAND'S ADDRESS

The one hundred and eighteenth annual general meeting of The Proprietors of The National Bank of Scotland, Limited, was held in the bank's head office, Edinburgh, on the 16th instant.

The Most Hon. The Marquess of Zetland, K.G., P.C., G.C.S.I., G.C.I.E., the Governor of the bank, in the course of his speech, said: The accounts for the year now before you again show substantial progress. Deposits at November 1st last exceeded £60 million, an increase of approximately £5,000,000 in the twelve months. The bank's notes in circulation have reached the unprecedented figure of £8,242,000, a rise of £1,353,000, an indication of the continued growth of Government expenditure in wages. I have on a previous occasion stressed the importance of the speedy return to the banks of notes not immediately required for normal expenditure, and I would again emphasise that it is the duty of everyone to ensure that notes not so required are paid in to bank and not retained or hoarded.

LIQUID FUNDS EXCEED £19,332,000

The assets of the bank naturally show an expansion similar to the liabilities. Increased resources are evident in a rise of over £2,000,000 to £19,332,000 in our liquid funds, namely, cash, balances with the Bank of England and other banks, cheques in course of collection, and money at call and short notice. These sums, with £6,000,000 in Treasury deposit receipts and a holding in Treasury bills, place the bank in a highly liquid position, which in these days is obviously desirable. British Government securities now stand in the books at £35,000,000, an increase of roughly £4,000,000, representing our support of Government war issues. A large proportion of these holdings is in short and medium dated stocks.

The value of our investments is in excess of the figures at which they stand in the bank's books. Advances, which last year showed a rise of £800,000, have fallen by £600,000 and now just exceed the £10,000,000 mark, at which they are still higher than in 1941. The heritable properties owned by the bank have been further written down to £574,000, which you may be assured is a very conservative indication of their value. The balance sheet figures total £74,775,000, an increase of £6,000,000.

ALLOCATION OF PROFITS

The profits for the year amount to £260,967, comparing with £257,000 for the previous year. With £91,290 brought forward, a sum of £352,257 is available, from which the following allocations have been made by the directors: To Contingent Fund £100,000, Heritable Property Account £10,000, Trustees for Officers' Pension Scheme £50,000, Staff Widows' Fund £5,000, a total of £165,000. The dividends proposed to be paid will cost £98,000, leaving £89,257 to be carried forward to the current year. In view of the very low rates of interest earned on the large proportion of our funds lent to the Government for the prosecution of the war, and the increased expenses of conducting business, the results are regarded by your directors as satisfactory.

TRADE AND INDUSTRY

We are now in the fifth year of this stupendous war, with the energies of the whole nation devoted to its successful prosecution, and while it may safely be said that good progress has been made during the past year towards the achievement of the Allied objectives, there can be no rest from our labours until final victory has been won. At the same time business people cannot wholly refrain from turning their thoughts in the direction of post-war

trade and industry, and making tentative preparations for the future.

Many new problems, some already perceived and others yet unknown, will undoubtedly arise and will call for imagination and initiative if they are to be solved satisfactorily. It is clear that only efficient organisations with up-to-date equipment can hope to tackle these problems successfully, and in this connection research work in the various fields of industry must take a foremost place. It is, surely, not too much to ask that every encouragement should be given by the authorities for carrying out research and experimental work, and that special allowances should be made by the revenue to make research work possible; for investigation and experimentation involving, possibly, the erection of buildings and the provision of equipment and other expenses, constitute in themselves a heavy tax upon industry, already sufficiently burdened and liable at any time to be called upon to shoulder fresh responsibilities.

For example, it would appear to be faced at a not distant date with an added burden in being called upon to operate the "Pay as you earn" tax deduction from wages. It is difficult to see how businesses employing a large number of workers, with pay-staffs depleted to a bare minimum, can possibly carry through in the time at their disposal so complex and difficult a task, unless indeed means can yet be devised of making workable a scheme the aim of which is no doubt eminently desirable.

TRIBUTE TO SECRETARY OF STATE

It is a rule in addresses from this chair to eschew references to politics, and I have not the least desire to depart from so salutary a practice; but it is not, I think, out of place to commend the initiative of the present Secretary of State for Scotland in securing the establishment of the North of Scotland Hydro Electric undertaking, from the operations of which in due time considerable benefit should accrue to the Highland areas of Scotland.

There is always, of course, in cases of industrial development of this kind, the possibility of a clash of interests and, in particular, of a conflict between utilitarian demands and amenity requirements; and I should be the last to underestimate the importance of the latter in the post-war world. But I look forward to a Britain in which indiscriminate growth will be superseded by carefully planned progress, with a Central Planning Authority with power to decide, after due consideration of all the relevant factors, between the competing claims of the various interests affected, be they industrial, agricultural, recreational or purely aesthetic.

In this particular instance the Scottish banks have given ready support to an enterprise which, without seriously detracting from their natural beauty and amenity value, seems well calculated to restore a long overdue and badly needed measure of material prosperity to the Highlands.

MEMBERS OF STAFF ON SERVICE

There are now 620 members of the staff on service with the Forces, representing 57 per cent. of our pre-war male staff, in addition to which three members of the permanent female staff are also on active service. We appreciate the valuable service which the men and women of our staff are rendering to their country.

The Governor concluded by moving the adoption of the report and the payment of dividends at the rate of 16 per cent. per annum, less tax, on the consolidated capital stock and of 5 per cent. per annum, less tax, on the "A" stock, and the resolution was carried.

SINGER MOTORS, LIMITED

POST-WAR PROBLEMS

The sixth ordinary general meeting of Singer Motors, Limited, was held, on the 10th instant, in London, The Rt. Hon. Lord Latham, F.L.A.A., J.P. (the chairman), presiding.

The chairman said that as a consequence of E.P.T. and the full charge this year for income tax, the available balance of profit was reduced from £78,450 last year to £42,039 this. The preference dividends already paid and the dividend of 6 per cent. less tax, now recommended, would take £24,937, leaving of the profit for the year £17,102 to be added to the carry-forward, raising this to £93,128.

PREPARING FOR PEACE

As the day of victory drew nearer the directors could not fail to be increasingly concerned with the problems of peace and with the necessity of preparing to meet and surmount the difficulties that would then confront the motor industry, especially during the period of the change-over from war production to normal peace-time activity. They were being assured that in various ways the Government were working out their plans to deal, *inter alia*, with the many home problems which would follow in the wake of the good ship "Peace," but however ample and complete those plans might be, the success of many of them would depend in no small degree on the maintenance of reasonably full employment in this country through the speedy resumption of full industrial activity, including the restoration and expansion of our export trade.

The capacity of industry to re-absorb those returning from the Forces, to find work for those now engaged on munitions, and therefore the avoidance of unemployment, would rest in no small measure upon industry being permitted to plan in advance the means and methods of the change back to peace-time production and to employ for that purpose a reasonable number of technical and pivotal workers on the essential preparatory work. If the work of reinstatement was to be carried out in the shortest possible time after war production ceased or was appreciably reduced, planning and preparation for it must be completed, or substantially so, well before hand. Unless this was done in advance it was difficult to see how the risk of serious and possibly lengthy interruption of regular employment of much operative labour could be avoided at many points, however strong was the desire on the part of employers to prevent it.

In his view, it was not too soon to urge the Government to permit at the earliest possible moment, consistent with the needs of war, the employment and release of such technical and other personnel as were essential to enable industry to prepare, so that the change-over to normal production might be accomplished with the least disturbance of employment.

APPEAL TO GOVERNMENT

For the motor industry the problems involved in the change-over would not be few or simple and he could discern no grounds for easy optimism. It was doing no disservice to the motor industry, or to the public at large, to face the facts with realism and resolution.

It was in no captious spirit, nor was it without full appreciation of the heavy burden the Government bore in maintaining the war effort at its maximum, that he begged them to give urgent consideration to the question of enabling industry to start now those preparations for the change back to peace-time production which were essential if industry was to get into its peace-time stride with the minimum of delay and the maximum volume of employment was to be maintained.

The report was adopted.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

HIGH LIQUIDITY RECORD CURRENT AND DEPOSIT ACCOUNTS SIR WILLIAM GOODENOUGH'S STATEMENT

The ordinary general meeting of the stockholders of Barclays Bank (Dominion, Colonial and Overseas) will be held on the Bank's Premises, 29, Gracechurch Street, London, E.C., on Thursday, the 23rd instant.

The following is the statement by the chairman (Sir William Macnamara Goode, Bart.) which has been circulated with the report and accounts:—

In accordance with the procedure adopted last year, I am sending to stockholders this brief statement which will take the place of the speech at the annual general meeting.

It is with great sorrow that I have to record the loss which the bank has suffered through the untimely death of Sir John Caulcutt, our late chairman, after which general manager of the bank, after which he became a director, deputy chairman, and, finally in the year 1935, chairman. It is not possible in a few words to do justice to his great qualities or to his services to the bank and to the Empire. He made an invaluable contribution to the building up of the present strength and prosperity of the bank, and his skill and ability have guided us through many difficulties.

I am deeply sensible of the honour of having been elected by the board to succeed him. I shall endeavour to carry on the high traditions which have been associated with the chair and which he so worthily upheld.

PERSONNEL CHANGES

Mr A. B. Gillett, who has been a director since the bank's re-incorporation in 1925, has been elected deputy chairman, and Mr W. O. Stevenson a vice-chairman; both of them have rendered signal service to the bank. I am fortunate in the co-operation and support which I have received from them and from our other vice-chairman, Mr J. R. Leisk, who, as you know, is also the chairman of our South African board.

Since the close of our financial year, Mr. D. F. Rigby, one of our assistant general managers, has been appointed a general manager, and Mr H. P. Sheldon an assistant general manager.

Mr A. W. Patterson, who for a number of years has been a local director of the bank in East Africa, has been greatly appreciated, and we wish him well in his retirement.

The news of the death in July last of Sir Patrick Duncan, the late Governor-General of the Union of South Africa, was received with very deep regret. I should like to take this opportunity of paying tribute to his great public services, which have been of such outstanding value to South Africa.

Our branch at Addis Ababa has been closed. It was opened in July, 1941, to meet the special needs of the British military authorities, and the purposes for which it was intended have now been fulfilled. We have since opened branches in Libya, at Tripoli and Benghazi, and in Somalia, at Mogadishu. I feel sure that the stockholders will be glad to know that we have been able to perform these special services to help the occupying authorities and the

GUY MOTORS, LIMITED

STRONG POSITION

Mr Sydney S. Guy, the chairman, presided at the twenty-eighth annual general meeting at Wolverhampton, on the 14th instant, and said:—

Your company has been fully occupied during the year and the output has surpassed previous levels. In addition to military vehicles, we have been instructed to produce chassis for double-deck omnibuses to an austerity specification, and have already produced over 1,000.

STOCK INCREASED

On the balance-sheet you will observe that the figure of stock-on-hand and work-in-progress is lower than it was last year. The amount shown, however, is after crediting Governments payments for work-in-progress, which naturally vary considerably from time to time. The actual stock has increased.

STILL STRONGER FINANCIAL POSITION

The debtors, like the creditors, are higher, due to the increased business we are doing. It will be noted that, when consideration is given to the improvement in the bank balance, the net result of these three items is an improvement in the liquid position.

COMBATING DEPRECIATION DANGER

In the profit and loss account the item of depreciation and maintenance has increased by some £10,000, the increase being, of course, mainly in the latter item. This arises from the effects of further dilution of labour and of long hours in the factory, and does, we feel, confirm our view, repeatedly expressed for some years, that the allowance granted by the Inland Revenue for depreciation is totally inadequate. For this reason your directors again propose to reserve an extra £5,000 for obsolescence and deferred repairs, not covered by the taxation allowance.

Directors' fees are increased by the election of Mr John Good to the board. Your confirmation of his election will be asked at this meeting.

15 PER CENT. DIVIDEND MAINTAINED

The net profit is approximately the same as last year, and your directors have pleasure in recommending, for the seventh year in succession, a dividend of 15 per cent. on the ordinary stock, and the other allocations set out in their report.

PROFIT-SHARING BONUS RESERVE INCREASED

The reserve required for profit-sharing bonus has increased somewhat owing to the fact that, under the terms of the scheme, additional staff, engaged in the 1941-42 year, now qualify for full bonus.

A WELL-EARNED TRIBUTE

I would like here to pay tribute to all in the employment of the company, both full time and part time, who have worked so well and co-operated with the management so wholeheartedly in obtaining a record production under difficult conditions, and particularly would I like to mention all those who have given up their spare time to manning the various defence services connected with our organisation.

The appointment of Mr John Good, O.B.E., to a seat on the board was confirmed, and Mr W. E. Bullock was re-elected a director.

The report and balance-sheet having been unanimously adopted, a vote of thanks to the chairman and directors brought the meeting to a close.

THE STAFF

While the number of our staff serving in the Forces continues to grow, I am pleased to be able to tell you that several who were posted as missing have since been reported to be prisoners of war. The total number now notified as killed or missing is 77. I am confident that the stockholders would wish me on their behalf to offer our most sincere sympathy to their relatives.

It is a special pleasure to me to have this opportunity to pay tribute to the work which has been achieved by the staff of the bank during another year of war. On behalf of the stockholders and of the board, I should like to convey to them our warm appreciation of their services.

To those who are in the Forces and also to those who are serving with the bank overseas, we wish a speedy return as soon as circumstances permit after the war. Many of them have now been deprived for several years of the normal opportunities to take leave at home and with their families. To them our thoughts are specially directed.

MALAYAN TIN DREDGING,
LIMITED

FUTURE OF THE INDUSTRY

The thirty-second annual general meeting of Malayan Tin Dredging, Limited, was held on the 16th instant, in London, Mr C. V. Stephens (the chairman) presiding.

The following is an extract from the chairman's statement, circulated with the report and accounts for the year ended June 30, 1943:—The board is fortunate in being able to show a profit for the year under review of £12,339 and to recommend payment of a dividend of 2½ per cent., free of tax, due to the profit of £12,475 on the company's contribution of ore to the Buffer Stock Pool.

At the request of the Secretary of State for the Colonies plans are being prepared by the Malayan Chamber of Mines to cover the rehabilitation of the tin-mining industry in Malaya. It would appear that an unfortunate misconception has arisen in some quarters in connection with the tin potentialities of Malaya, and it has been suggested that the tin reserves of the country are within measurable distance of exhaustion. In my opinion this is a groundless and most fantastic suggestion.

In the opinion of the board, Malaya possesses very large reserves of tin which are still untouched—in the jungle, in forest reserves, in the hills, in land under cultivation and in swamp areas. There is also a possibility that payable areas of some considerable extent may in due course be developed along the coastal areas. I consider it to be a justified assumption that Malaya will be maintaining her share of the world's production of tin for very many years to come.

The report was unanimously adopted.

SOUTHERN MALAYAN TIN
DREDGING, LIMITED

IMPORTANCE OF RESEARCH

The seventeenth annual general meeting of Southern Malayan Tin Dredging, Limited, was held, on the 16th instant, in London, Mr C. V. Stephens (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended June 30, 1943: The board is fortunate in being able to show a profit for the year under review of £23,616 and to recommend payment of a dividend of 2½ per cent., free of tax, due to the profit of £20,553 on the company's contribution of ore to the Buffer Stock Pool.

A matter which I consider vital to the welfare of Malaya and to the tin industry is the development and expansion of the research work carried on by the International Tin Research and Development Council (a body representing the majority of the important tin countries engaged in the production of tin) at the Tin Research Institute at Greenford, Middlesex. The growing need of scientific research in this keenly competitive age has recently been stressed in a comprehensive report on the subject issued a short time ago by the Federation of British Industries; and more recent references to the importance of the subject have been made by other influential bodies.

The work carried on by the staff of the Tin Research Institute has resulted in a great deal of valuable data being obtained and in improvements and in the development of further uses.

The extent and nature of assistance to be given in respect of compensation against losses suffered are not likely to be precisely defined by his Majesty's Government until after the cessation of hostilities.

The report was unanimously adopted.

ALLIED BAKERIES, LIMITED
PROVIDING FOR POST-WAR
REQUIREMENTS

The eighth annual general meeting of Allied Bakeries, Limited, was held, on the 10th instant, in London.

Mr S. Hodgkinson presided in the absence through indisposition of Mr W. Garfield Weston, M.P., the chairman of the company, and read the statement which had been prepared by Mr Weston, from which the following is an extract: Last year I referred briefly to the fact that we had acquired control of H. W. Nevill, Limited. I am pleased to inform you that the potential earnings of this company, on which the purchase price was based, had been exceeded by a substantial margin.

Investments in subsidiary companies have increased during the year by approximately £438,000. Our liquid position has improved slightly during the year, liquid assets being £2,307,961, exceeding current liabilities by £356,700, against a surplus of £366,050 in 1942, but the net amount of the second interim dividend of 5 per cent., amounting to £34,955, has been included in total liabilities this year, so that in effect our liquid position is £25,600 better than last year.

Your company's total contribution to the National Exchequer in taxation, including N.D.C., and income-tax and E.P.T., represents more than 75 per cent. of the net earnings of the operating companies.

After payment of the preference dividend, and interim dividends of 10 per cent. on the ordinary shares, there remains a balance to carry forward of £128,022, as against £88,313 brought in. Your directors do not recommend any further payment of dividend on the ordinary shares because they constantly have in mind the necessity for considerable capital expenditure after the war to rebuild and re-equip those bakeries which do not conform to the high standard of efficiency we require.

The report was unanimously adopted.

CRYSTALATE, LIMITED

SIR HERBERT MORGAN'S SPEECH

The annual general meeting of Crystalate, Limited, was held on the 15th instant in London.

Sir Herbert E. Morgan, K.B.E. (the chairman), said that there had been an increased profit on trading and the liquid position of the company was most satisfactory.

They were now preparing a scheme for the reconstruction of the capital of the company, which they proposed to place before shareholders in the course of the current financial year. The recommendation would be made that the "Assets Deficiencies" account must be eliminated. The proposed reconstruction would have been undertaken before, but it was impossible until they had arrived at an agreement with the Inland Revenue as to their EPT position and until they could formulate something approximating an exact idea as to what their profit-making capacity was. Subject to being placed on a proper capital basis, he regarded the prospects of the company as good. They were engaged in an industry which was on the upgrade and for whose products he foresaw a continued demand in the post-war period.

The day would come when munition contracts would be cancelled, resulting in some temporary stoppage of work. Plans to lessen it to the minimum called for a

(Continued from page 821.)

how far the activities and functions exercised by the three providers of welfare—the Government, the shipowners and voluntary organisations—should be co-ordinated. A corollary to this is the financing of welfare. There are a number of alternatives: it could be done by the Government out of public funds, by the industry, by charitable and voluntary contributions, or by a combination of these methods. *Prima facie*, the strongest case exists for the financing of welfare by the industry itself, so that the cost could be passed on, so far as necessary, to the consumer. The Committee's findings, if accepted, will not apply only in the war period. Although the war has no doubt quickened the public conscience on the important matter of seamen's welfare, the Committee's recommendations are intended to have a long-term validity.

Company Results

Prices Tailors.—	Years ended June 30,	1943
	1941	1942
Profits	503,611	411,108
Taxation	230,000	195,000
Depreciation	95,911	94,910
Directors' fees	1,250	2,000
War damage contributions	18,342	14,269
Prof. and pref. ord. dividends (net)	28,188	27,500
Ordinary shares:—		
<i>Earnings (net)</i>	129,920	77,429
<i>Earnings (net)</i>	78,000	64,000
Paid (net)	148-7	88-4
<i>Earnings %</i>	189-1	73-2
Paid %	194,499	207,928
Carry forward		
Net fixed assets	1,112,802	1,118,871
Net inter-company items	239,246	173,506
Net liquid assets	145,422	496,024
Gross liquid assets	1,185,510	1,416,224
Stock in trade	924,813	1,143,853

† These payments to Prices Trust permit the payment of dividends of 25 per cent for 1940-41 and 20 per cent in subsequent years.
‡ Due to a change of method in presenting the balance sheet, which resulted in a reduction of the amount stated as current liabilities, these figures are not strictly comparable with those for 1942 and 1943.

The 5s. ordinary shares of Prices Trust, at 32s. 6d. ex dividend, yield £3 1s. 6d. per cent.

COMPANY RESULTS

Definitions of terms used in these tables are as follows:
Net fixed assets include everything from land to loose tools, less any distinguishable provision for writing them down.
Net inter-company items include holdings in, and loans and advances to, subsidiaries and associates, plus trade investments, minus all sums, other than dividends of the company, due to subsidiaries and associates.
Net liquid assets include all other assets less current liabilities, bank loans and profit and loss appropriations not retained as additions to reserves, carry forward, or other established funds.

measure of preparedness. The establishment of a Department of Supply by the Ministry of Works for the building trade would help to shorten the period of change-over in those industries now engaged on war work, but normally making fittings for houses. His belief was that some such organisation was vital in order to speed up the provision of housing and for the prevention of unemployment. The individual manufacturers would be straining at the leash to regain trade lost and must not be kept waiting, because it was the industrialist who could create plans for work when he had guidance from the Government.

The report was unanimously adopted.

PRICES TAILORS, LIMITED

CLOTHING PROBLEMS

The fifteenth annual general meeting of Prices Tailors, Limited, was held, on the 13th instant, at Leeds, Sir Henry Price (chairman and managing director) presiding.

The following are extracts from the chairman's statement circulated with the report: The results of the past year's trading, bearing in mind the difficulties and problems with which we have had to contend, I consider to be satisfactory.

Although no new drastic legislation has

been imposed upon the clothing industry during the past year, nevertheless there has been a progressive tightening up and modification of existing orders which has made trading conditions more difficult both for the manufacturer and the retailer. The various departments of administration are to be congratulated upon the success achieved in keeping the public well catered for during four years of war.

It is now, however, two-and-a-half years since clothes rationing was first introduced, and coupon spending has become a serious problem, as the wardrobes of all classes of the community must now be greatly depleted. I feel that it would be greatly appreciated by the public if the Board of Trade could plan to allow sufficient coupons during one period to enable men folk to buy a full suit of clothes. The public is not over-indulged under the inevitable rationing system, and in any event the saving of coupons, like saving of money, is a psychological process which would require many years to develop. Hence I trust this view will have consideration by the Board of Trade. The scarcity of coupons has developed a very marked tendency on the part of the public to require the highest possible value for them. Accordingly, it has been our constant aim to provide the highest quality materials and workmanship possible within the scheme of Government control.

The report was unanimously adopted.

Crompton Parkinson.—Electrical equipment.

	Year ended September 30,	1943
	1941	1942
Profit after tax	419,154	438,248
Depreciation	25,000	25,000
Directors' fees	2,750	2,750
Reserve fund	2,000	5,000
Preference dividends	43,658	43,658
Ordinary shares:—		
<i>Earnings</i>	342,746	361,840
<i>Earnings</i>	249,898	252,304
Paid	34-8	37-4
<i>Earnings %</i>	20%	20%
Paid %	280,208	389,744
Carry forward		
Net fixed assets	467,730	430,508
Net inter-company items	1,082,185	1,609,173
Net liquid assets	1,187,098	834,936
Gross liquid assets	2,236,612	3,034,523
Debtors and prepayments	1,586,296	2,409,450

* Account has been taken of £4,010 paid to holders of capital in Young Accumulators.

The 5s. ordinary stock units stand at 27s. 3d., ex dividend
40 yield £4 2s. 7d. per cent.

P. & O.—Shipping.

	Years to September 30,	1943
	1941	1942
Earnings of fleet	1,458,335	1,309,104
Dividends from subsidiaries and others	808,984	765,457
Total profits	2,421,821	2,211,980
Taxation	980,214	911,766
Depreciation	55,424	23,707
Expenses†	200,000	15,000
Provision for good service	...	...
Cost of adventure conversion	303,896	294,165
Interest charges	152,000	152,000
Preference dividend	...	...
Deferred stock:—		
<i>Earnings</i>	730,287	830,342
<i>Earnings</i>	367,402	367,402
Paid	23-8	28-1
<i>Earnings %</i>	8	8
Paid %	250,000	100,000
Tonnage replacement reserve	...	...
General reserve	...	350,000
Written off investments in subsidiaries	100,000	37,936
Written off properties	186,385	161,389
Carry forward		

Net fixed assets 6,094,352 5,495,705 3,679,92
Net inter-company items 11,251,361 10,676,233 10,398,41
Net liquid assets 5,628,665 7,319,414 12,016,91

Gross liquid assets 10,745,473 11,778,189 15,526,78
Govt. securities 8,134,674 9,500,298 *11,793,81
Debtors 1,184,356 950,754 2,606,06

Tonnage reserve 2,991,475 4,250,000 7,790,11
Total reserves and carry forwards 8,427,860 9,042,329 13,979,61

† For 1941 and 1942 taxation was deducted from earnings of the fleet.
‡ Including war damage contributions of £27,209 in 1941, £1,655 in 1942, and £1,297 in 1943.

* Including £576,625 in tax reserve certificates.

§ The growth of reserves is explained on page 820. The growth in 1943 would have been greater but for the transfer of £875,000 to establish the Sea and Shore pensions funds.

The £1 units of deferred stock at 30s. 10½d., ex dividend yield £5 3s. 8d. per cent.

ELECTRIC & MUSICAL INDUSTRIES LIMITED

THE GRAMOPHONE COMPANY LIMITED
COLUMBIA GRAPHOPHONE COMPANY LIMITED
THE MARCONI COMPANY LIMITED
THE PARLOPHONE COMPANY LIMITED

ANNUAL GENERAL MEETING

HELD ON 16th DECEMBER, 1943

ACCOUNTS TO 30th JUNE, 1943, AND
SUMMARY OF CHAIRMAN'S STATEMENT

Profit of the Group for the period ended 30th June, 1943, after providing for the liability of the company and its subsidiaries for taxation, including that on the profits for the period covered by these accounts, and after providing for charges and contingencies arising from war conditions	£174,357
Amount brought forward from last year	247,504
Total available	£421,861
Out of which provision for a net Preference Dividend paid and accrued to 30th June, 1943, and a Dividend of 6% less tax, and a Bonus of 2% less tax, on the Ordinary Stock, authorised at the Annual General Meeting, requires	£126,465
Leaving to be carried forward	£295,396
General Reserve now stands at	£300,000
Taxation Reserve covering estimated taxation on profits to 30th June, 1943, is	£976,283

The directors have issued a Consolidated Balance Sheet and Profit and Loss Account of Electric and Musical Industries, Limited, The Gramophone Company, Limited, Columbia Graphophone Company, Limited, and their English subsidiaries.

To enable the consolidation of the accounts to be completed without adjustments, the end of the company's year has been changed from 30th September to 30th June so as to coincide with the accounts period of the two operating companies and their English subsidiaries. Although the actual period of the company's accounts as now presented is, therefore, nine months, it should be noted that the trading and other results now reported correspond exactly with the previous year.

All recommendations of the directors including provision for the payment of a dividend on the ordinary stock of 6% and a bonus of 2% less tax, were adopted by the stockholders.

Mr. Alfred Clark (Chairman) presiding, stated that the omission of the usual speech was again due solely to war-time conditions.

The output of the factories has been maintained at a satisfactory level.

The directors have sold to the Raleigh Cycle Company, Limited the shares of Rudge-Whitworth Limited.

It has been considered prudent to write down to a nominal figure of £2 the Investments in and Advances to Empire and Foreign subsidiary Companies.

Business has continued to operate in Australia, New Zealand, Africa, South America and India, as well as in neutral European countries.

There is a large demand for gramophone records, gramophones and radio receiving sets which, unfortunately, cannot be met because of war-time restrictions.

During the war, further advances have been made in the sciences relative to television and the company aims at maintaining its leadership. Further improvements in technique are expected, and it is believed that when broadcasting is resumed after the war television will surely increase in popularity.

The directors desire, once more, to place on record their appreciation of the splendid work being carried on by employees of all stations in the vast organisation working for the company at home and abroad. The tradition of good relationship with its employees continues and stockholders may well be proud of their workers.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Trawler Fishing E.W.O.—The Minister of Labour has made the Essential Work (Trawler Fishing) Order, 1943, which came into force on December 13, 1943. It makes provision for the approval of schemes under which trawler fishermen will be registered, and reserve pools of such men will be established in trawler fishing ports from which British trawlers will be manned. The schemes will be submitted to the Minister by, and be operated under the control of joint committees of representatives of trawler owners and trawler men.

1944 Potato Crop.—Growers' prices in Great Britain for new potatoes of the 1944 crop will be reduced, as compared with the 1943 prices, by amounts varying from £2 per ton at the commencement of the season to 10s. per ton at the end of July. There will be an increase of 5s. per ton in maincrop prices for the months of February, March and April, 1945, as compared with growers' prices for those months in 1944. The acreage payment of £10 per acre will be continued.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Oct. 1, 1943	Nov. 1, 1943	
Beef, British—				
Ribs	s. d. 1 2½	s. d. 1 3½	s. d. 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	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	0 11½	1 2½	1 2½	29
Flour (per 7 lb.)	0 8½	0 9	0 9	9
Bread (per 4 lb.)	0 2	2 10	2 10	21
Tea	0 3	0 4	0 4	32
Sugar (gran.)	0 6½	0 9	0 9	33
Milk (per qt.)	1 4½	1 8	1 8	27
Butter	1 1	1 1	1 1	37
Cheese	0 10½	0 9	0 9	30
Margarine, special	0 6	0 5	0 5	12
" standard	0 12	0 12	0 12	—
Eggs, fresh (each)	0 2	0 2	0 2	—
Potatoes (per 7 lb.)	0 6½	0 7	0 7	7
Index all foods weighted (July, 1914=100)	138	168	168	22

Source: Ministry of Labour Gazette.

THE "ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 31, 1939	Dec. 31, 1942	Nov. 23, 1943	Dec. 7, 1943
Cereals and Meat	93.0	66.9	106.2	107.6	107.8
Other Foods	70.4	61.1	104.4	107.3	107.3
Textiles	74.2	54.3	94.2	91.7	91.9
Minerals	113.2	95.4	137.2	135.9	135.9
Miscellaneous	87.0	77.6	123.8	127.2	127.2
Complete Index	87.2	70.3	112.7	113.5†	113.6
1913=100	119.9	90.8	155.0	156.2†	156.3

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

"The Economist" Sensitive Price Index.—The index (1935=100) remained unchanged during the week to December 15th, and was as follows:—Crops, 122.9; raw materials, 182.3; complete index, 149.7.

Coal Output.—The output of saleable coal in the four weeks ended November 27th averaged 3,815,100 tons, compared with 3,998,000 tons per week in the previous four weeks.

AVERAGE WEEKLY OUTPUT OF COAL

(Weekly Standard Tonnage 4,161,800 tons)

Four Weeks ended*	1941 tons	1942 tons	Four Weeks ended*	1943 tons
Dec. 26th	3,853,400	3,880,100	June 12th	3,724,800
Jan. 23rd	3,824,800	3,813,400	July 10th	3,987,200
Feb. 20th	4,028,000	4,016,400	Aug. 7th	3,339,300
March 20th	4,074,600	4,013,700	Sept. 4th	3,978,900
April 17th	3,739,800	4,005,200	Oct. 2nd	4,076,100
May 15th	4,103,900	3,824,600	Nov. 27th	4,126,600

* The actual dates given relate to 1942 and 1943.

The production from opencast workings averaged 107,400 tons per week. During the previous four weeks, an average of 126,500 tons per week was produced. Only two districts Leicestershire and South Derbyshire qualify for the output bonus, and approximately 13,000 miners will benefit, those in Leicestershire to the extent of 1s. 6d. per shift, and in South Derbyshire 3d. per shift.

FINANCE AND BANKING

THE MONEY MARKET.—Credit has again been a short supply in the money market this week and relief has had to be obtained from the authorities through sales of bills to the official agents. One of the main influences on the position has been the exceptional withdrawal of currency from the banks. The circulation increased by £21,662,000 during the week to last Wednesday. This is the largest weekly expansion in the note issue ever recorded. It only leaves £33,284,000 of unissued notes in reserve and as there are two more weeks to go before the peak is reached it will be touch and go whether or not yet another increase in the fiduciary issue is needed before the turn of the year. The efforts of the authorities to neutralise the effect of the increasing circulation on the volume of bank cash together with the special assistance given to the discount market are reflected in a rise of £40,535,000 in Government securities. To the extent of £6,300,000 this offsets a decrease in Other securities. On balance these movements leave bankers' deposits £6,542,000 higher at £161,152,000, a total which would not suggest undue shortage of credit were it not that preparations are already being made for meeting the end-of-year pressure.

MONEY RATES, LONDON.—The following rates remained unchanged between Dec. 10th and Dec. 16th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates 4%. Discount deposit at call 1%; at notice 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Dec. 10th and Dec. 16th. (Figures in brackets are par of exchange.)

United States, \$ (4.863) 4.024-031; mail transfers 4.024-031. Canada, \$ (4.863) 4.43-47; mail transfers 4.43-47. Switzerland, Francs (25.22) 17.30-40. Sweden, Krona (18.159) T.T. 16.85-95. Dutch West Indies, Florin (12.71) 7.58-62. Portugal, Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama, \$ (4.02-04); mail transfers 4.02-04. Brazil, \$ (6.44) 17.30-40. Uruguay, \$ (7.659) p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain Peseta 40.50 (Official rate). Turkey, Piastres 520. Italy, 71.25 lire.

Market Rates.—The following rates remained unchanged between Dec. 10th and Dec. 16th. Egypt, Piastres (97½) 97½-8. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½-3. China, National \$ 3.3½. 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. Rate for payment into Argentine special account: 16.05 pesos.

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.

NEW YORK EXCHANGE RATES

New York on	Dec. 8	Dec. 9	Dec. 10	Dec. 11	Dec. 13	Dec. 14	Dec. 15
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	89.310	89.250	89.375	89.430	89.560	89.500	89.310
Zurich	41.50	41.50	42.00	41.80	41.65	41.50	42.50
B. Aires	25.15*	25.15*	25.10*	25.10*	25.05*	25.07*	25.07*
Rio	5.16	5.16	5.16	5.16	5.16	5.16	5.16
Lisbon	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Barcelona	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm	23.86	23.86	23.86	23.86	23.86	23.86	23.86

* Official buying rate 29.78.

† Free rate.

‡ Bid.

CLEARING BANK AVERAGES

(Comparative figures: in £ million)

	Nov. 1942	July 1943	Aug. 1943	Sept. 1943	Oct. 1943	Nov. 1943
Capital and reserves	140.3	140.9	140.9	140.9	140.9	140.9
Acceptances, etc.	92.4	102.8	101.2	105.5	102.3	102.4
Notes in circulation	1.6	1.6	1.6	1.6	1.6	1.6
Current, deposit and other accounts	5,471.9	5,627.9	5,670.0	5,737.0	5,812.7	5,864.5
Total liabilities	3,706.1	3,873.2	3,913.7	3,985.0	4,057.4	4,109.4
Cash	366.7	375.3	383.1	389.4	394.0	402.9
Cheques, balances, and items in transit	120.6	120.2	125.4	129.3	129.6	122.2
Money at call	134.6	160.4	155.8	148.1	151.4	154.6
Discounts	241.2	243.9	231.6	208.7	181.0	183.9
Treasury deposit receipts	803.5	899.5	956.5	1,044.5	1,135.0	1,186.5
Investments	1,117.4	1,162.1	1,162.4	1,160.1	1,158.1	1,166.9
Loans and Advances	763.0	742.7	731.6	733.3	739.9	724.0
Investments in affiliated banks	23.8	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	135.3	145.0	143.4	147.7	144.4	144.6
Total assets	3,706.1	3,873.2	3,913.7	3,985.0	4,057.4	4,109.4

GOVERNMENT RETURNS

For the week ended Dec. 11, 1943, total ordinary revenue was £35,218,000, against ordinary expenditure of £87,381,000, and issues to sinking funds of £370,000. Thus, including sinking fund allocations of £9,415,735, the deficit accrued since April 1st is £2,256,123,000 against £2,129,208,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Dec. 12, 1942	April 1 to Dec. 11, 1943	Week ended Dec. 12, 1942	Week ended Dec. 11, 1943
ORDINARY REVENUE					
Income Tax	117,500	362,568	462,674	7,099	8,603
Sur-tax	80,000	18,704	18,491	800	700
Estate, etc.	100,000	63,212	67,716	1,427	1,727
Duties	17,000	8,960	12,120	200	—
Stamps	500,000	19,526	21,599	790	470
N.D.C.	1,000	236,305	341,569	7,981	9,235
E.P.T.	—	310	238	—	—
Other Inld. Rev.	—	—	—	—	—
Total Inld. Rev.	187,500	709,585	924,407	18,297	20,735
Customs	525,320	323,764	381,310	8,079	9,715
Excise	450,180	295,700	331,600	2,900	3,510
Total Customs & Excise	975,500	619,464	712,910	10,979	13,225
Motor Duties	25,000	6,497	5,253	—	—
Canadian Govt. Contribution	—	208,748	—	—	—
P.O. (Net Receipts)	400	13,500	—	700	—
Wireless Licences	4,700	2,610	2,890	—	—
Crown Lands	800	680	710	—	—
Receipts from Sundry Loans	4,100	2,397	4,520	116	109
Miscell. Receipts	24,000	75,158	54,247	690	1,149
Total Ord. Rev.	290,750	163,863	170,473	30,782	35,218
SELF-BALANCING P.O. & Brdcastg.	110,632	70,000	76,400	1,300	1,850
Total	501,382	233,863	246,873	32,082	37,068

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Estimate 1943-44	April 1 to Dec. 12, 1942	April 1 to Dec. 11, 1943	Week ended Dec. 12, 1942	Week ended Dec. 11, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	249,267	277,973	3,840	5,201
Payments to N. Ireland	9,500	5,366	5,004	—	—
Other Cons. Fund Services	7,500	3,965	3,850	—	—
Total	392,000	258,597	286,828	3,840	5,201
Supply Services	5,366,751	3,500,842	3,664,617	95,500	82,180
Total Ord. Exp.	5,758,751	3,759,439	3,953,445	99,340	87,381
SELF-BALANCING P.O. & Brdcastg.	110,632	70,000	76,400	1,300	1,850
Total	5,869,383	3,829,439	4,029,845	100,640	89,231

A change has been made in the method of showing in excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £205,230 to £2,813,151, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,446,754 to £19,103 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	150
War Damage Act	949
Overseas Trade Guarantees	38
Total	1,137

NET RECEIPTS (£ thousands)	
Land Settlement Acts	18

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Dec. 11	1045.0	Not available	—	1045.0
1943				
Aug. 7	1170.0	"	"	1170.0
" 14	1170.0	"	"	1170.0
" 21	1170.0	"	"	1170.0
" 28	1170.0	"	"	1170.0
Sept. 4	1170.0	Not available	—	1170.0
" 11	1170.0	"	"	1170.0
" 18	1170.0	"	"	1170.0
" 30	3078.8	259.5	1114.5	4452.8
Oct. 7	1170.0	"	"	1170.0
" 16	1180.0	"	"	1180.0
" 23	1190.0	"	"	1190.0
" 30	1200.0	1872.3	326.5	4628.5
Nov. 6	1210.0	Not available	—	1210.0
" 13	1210.0	"	"	1210.0
" 20	1210.0	"	"	1210.0
" 27	1210.0	1868.9	363.6	4760.5
Dec. 4	1210.0	Not available	—	1210.0
" 11	1210.0	"	"	1210.0

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allot- ment		Per Cent Allotted at Min Rate
	Offered	Applied for	Allotted	%		
1942				s.	d.	
Dec. 11	75.0	144.7	75.0	20	1.49	35
1943						
Aug. 20	90.0	175.1	90.0	20	0.42	38
" 27	90.0	194.0	90.0	20	2.93	29
Sept. 10	90.0	200.4	90.0	20	2.40	26
" 17	90.0	193.3	90.0	20	2.57	29
" 24	90.0	183.6	90.0	19	11.10	41
Oct. 1	90.0	188.8	90.0	19	10.97	37
" 8	90.0	190.2	90.0	19	11.98	28
" 10	100.0	199.8	100.0	19	11.98	35
" 12	100.0	199.3	100.0	19	11.95	32
" 22	100.0	181.8	100.0	20	0.62	41
" 29	100.0	193.4	100.0	20	0.48	35
Nov. 5	90.0	213.1	90.0	20	0.04	23
" 12	90.0	197.5	90.0	20	0.27	27
" 19	90.0	194.4	90.0	20	2.93	30
" 26	90.0	197.1	90.0	20	2.93	30
Dec. 3	90.0	201.0	90.0	20	2.19	23
" 10	90.0	197.2	90.0	20	2.54	28

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s			
	Dec. 1942	Nov. 1942	Dec. 1943
12 U.S.F.R. BANKS	10,266	10,266	10,266
RESOURCES			
Gold certifs. on hand and	19,784	19,784	19,784
due from Treasury	20,555	20,225	20,203
Total reserves	20,555	20,225	20,203
Total cash reserves	240	310	293
Total U.S. Govt. secs.	5,546	10,364	10,447
Total bills and sec.	5,570	10,423	10,511
Total resources	27,872	32,439	32,619
LIABILITIES			
F.R. notes in circ.	11,902	16,131	16,343
Excess int. bank res.	2,800	1,040	1,100
Mr. bank res. dep.	13,267	12,402	12,562
Govt. deposits	60	479	275
Total deposits	14,510	14,620	14,466
Total liabilities	27,872	32,439	32,619
Reserve ratio	78.8%	65.8%	64.1%
BANK AND TREASURY			
Monetary gold stock	22,743	22,081	22,065
Treasury & bank currency	3,383	4,101	4,101
LIABILITIES			
Money in circulation	14,986	19,726	19,940
Treasury cash and dep.	2,252	2,774	2,987

CENTRAL BANK OF IRELAND

Million £'s.			
	Nov. 1943	Nov. 1942	Dec. 1943
ASSETS			
Gold	2.65	2.65	2.65
British Govt. secs.	22.15	23.15	23.40
Sterling balances	1.91	1.47	1.38
LIABILITIES			
Notes in circulation	27.38	27.40	27.56

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Sept. 1942	Sept. 1943	Sept. 1943	Sept. 1943
ASSETS				
Gold and English ster.	28.11	37.64	38.27	38.27
Other coin, bullion, etc.	9.42	10.86	11.13	10.36
Call money, London	38.94	47.56	47.59	47.20
Secerts. and Treas. bills	136.17	216.06	221.67	226.51
Discounts and advances	22.11	19.77	20.52	20.07
LIABILITIES				
Notes issued	111.61	148.51	149.01	150.01
Deposits, etc.	149.21	171.55	171.34	172.63

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s			
	Oct. 1942	Oct. 1943	Oct. 1943
ASSETS			
Gold and ster. exch.	28.44	28.40	28.61
Advances to State	4.15	10.32	10.32
Investments	26.92	33.77	33.64
LIABILITIES			
Bank notes	10.34	12.33	11.78
Deposits	22.37	30.56	31.14
Reserve to sight liab.	48.5%	37.0%	37.4%

SWISS NATIONAL BANK

Million Swiss Frs.			
	Oct. 1942	Oct. 1943	Oct. 1943
ASSETS			
Gold	3484.1	3847.5	3896.9
Foreign exchange	87.3	95.4	77.0
Discount, etc.	41.8	237.6	40.9
Advances	2.19	17.9	20.1
Securities	64.8	64.8	64.8
LIABILITIES			
Notes in circulation	2428.9	2771.2	2872.9
Other sight liabilities	236.5	239.7	239.4

RESERVE BANK OF INDIA

Million rupees			
	Dec. 1942	Nov. 1943	Nov. 1943
ASSETS			
Gold coin & bullion	444	444	444
Rupce coin	126	119	171
Balances abroad	806	1,422	1,552
Sterling securities	3,728	6,898	6,848
Ind. Govt. rup. sec.	1,324	583	583
Investments	67	74	75
LIABILITIES			
Notes in circ.	5,505	7,946	7,947
Deposits: Govt.	200	658	678
Banks	601	699	802
Reserve ratio	74.2%	91.3%	90.6%

SOUTH AFRICAN RESERVE BANK

Million £'s			
	Oct. 1942	Oct. 1943	Oct. 1943
ASSETS			
Gold coin and bullion	70.61	79.72	80.45
Bills discounted	1.04	13.10	12.24
Invest. and other assets	65.65	87.65	87.57
LIABILITIES			
Notes in circulation	37.34	45.94	45.86
Deposits: Government	3.92	7.54	8.64
Banks	85.28	117.90	116.06
Others	6.59	5.04	5.60
Reserve ratio	53.4%	45.4%	45.7%

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

NOVEMBER, 1943											
	Barclays Bank Ltd.	Comt. & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams & Deacon Bank Ltd.
ASSETS											
Coin, Bank Notes and Balances with the Bank of England	80,687	3,692	15,954	4,875	74,345	18,607	84,356	4,713	49,504	58,553	7,628
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	23,920	1,095	3,589	1,574	18,114	5,873	20,582	223	16,737	18,645	3,893
Items in Transit	20,290	4,503	5,926	5,365	26,739	7,254	29,385	9,448	20,514	20,919	4,248
Money at Call and Short Notice	35,352	1,512	8,562	1,049	39,000	6,429	41,754	837	27,326	21,054	812
Bills Discounted	265,000	4,500	45,000	6,500	200,000	52,500	270,000	1,000	147,000	174,500	20,500
Treasury Deposit Receipts	218,810	14,935	55,353	21,166	219,000	52,500	270,000	1,000	147,000	174,500	20,500
Investments	159,088	8,105	20,288	9,538	123,116	29,333	148,018	14,743	111,636	88,666	11,431
Advances to Customers and other A/c's	15,458	1,383	3,194	5,944	21,930	9,180	13,666	284	10,850	18,239	2,308
Liabilities of Customers for Acceptances, Endorsements, etc.	7,920	405	1,425	695	6,794	2,872	8,689	506	6,975	4,942	920
Bank Premises Account	6,223	...	...	...	3,778	...	8,426	...	2,544	2,992	...
Investments in Affiliated Banks and Subsidiary Companies	832,748	40,130	159,291	56,706	741,041	193,039	856,414	53,263	527,572	572,430	76,785
Ratio of Cash to Current, Deposit and other Accounts	10.21	10.05	10.63	9.98	10.72	10.57	10.35	9.66	9.93	10.93	10.65
LIABILITIES											
Capital Paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875
Reserve Fund	11,250	1,000	2,976	850	10,000	3,700	12,910	1,180	8,500	9,320	1,000
Current, Deposit and other Accounts	790,182	36,747	150,145	48,852	693,288	175,980	814,679	48,797	498,743	535,535	71,602
Acceptances, Endorsements, etc.	15,458	1,383	3,194	5,944	21,930	9,180	13,666	284	10,850	18,239	2,308
Notes in Circulation	...	...	...	...	...	...	...	...	...	...	...
	832,748	40,130	159,291	56,706	741,041	193,039	856,414	53,263	527,572	572,430	76,785

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND											
London on Australia and N.Z.*						Australia and N.Z. on London					
Buying			Selling			Buying			Selling		
Australia	N.Z.	†Australia	†N.Z.	†Australia	†N.Z.	Australia	N.Z.	†Australia	†N.Z.	†Australia	†N.Z.
125	124	125	124	125	124	125	124	125	124	125	124
30 days	127	126	125	124	123	125	124	125	124	125	124
60 days	127	126	125	124	123	125	124	125	124	125	124
90 days	128	127	126	125	124	125	124	125	124	125	124

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. Air Mail (Australia) Demand, 126; 30 days, 126; 60 days, 127; 90 days, 127. (N.Z.) Demand, 125; 30 days, 125; 60 days, 126; 90 days, 127 (plus postage).

SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £102 (30 days); £102 (60 days); £102 (90 days).

For Rhodesia the corresponding rates are £100, £100, £101, £101 and £102.

Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100 for South Africa and £99 for Rhodesia.

CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$: approximate sterling rates can be calculated from \$-£ rate.

OVERSEAS BANK RATES

Changed	From	To	Changed	From	To
Amsterdam	June 28	41 3/4	Madrid	July 15	35 5/8
Athens	Mar. 10	42 5/8	Montreal	Mar. 11	35 5/8
Belgrade	Feb. 1	35 6/8	Oslo	May 12	40 4/8
Berlin	Apr. 9	40 4/8	Paris	Mar. 17	41 2/8
Brussels	Jan. 25	40 2/8	Pretoria	June 2	41 3/8
Bucharest	Oct. 22	40 2/8	Rio de Janeiro	May 31	35 3/8
Gdańsk	Sept. 17	40 2/8	Rome	May 18	36 5/8
Calcutta	Nov. 28	35 3/8	Sofia	Sept. 16	40 6/8
Chile	June 13	35 3/8	Stockholm	May 29	41 3/8
Copenhagen	Oct. 15	40 4/8	Zurich	Nov. 25	36 2/8
Helsingfors	Dec. 3	44 4/8	Tokio	...	...
Lisbon	Apr. 8	34 4/8	Wellington	July 20	41 2/8
N.Y. Fed. Res.	Oct. 30	42 1/8	Dublin	Oct. 26	39 4/8

(a) For banks and credit institutions.

(b) For private persons and firms.

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, Dec. 1943	Price, Dec. 1943	Yield, Dec. 1943	Prices, Year 1943		Last Two Dividends	Name of Security	Price, Dec. 1943	Price, Dec. 1943	Yield, Dec. 1943
High	Low	High	Low					Jan. 1 to Dec. 14	Jan. 1 to Dec. 14					
British Funds														
83 1/2	81	83 1/2	78 1/2	Consols 2 1/2% (after 1957)	79 1/2	79 1/2	5 1/2	51/9	46 7/8	7 b	4 a	47 1/2	47 1/2	4 12 1/2
113 1/2	109 1/2	112 1/2	109 1/2	Consols 2 1/2% (after 1945)	111 1/2	111 1/2	5 1/2	57 1/2	48 1/2	11 1/2	3 1/2	49 1/2	49 1/2	6 2 1/2
103 1/2	99 1/2	102 1/2	100 1/2	Conv. 2 1/2% 1944-49	102 1/2	102 1/2	2 9/10	32 1/4	25 1/4	1 1/2	1 1/2	25 1/4	24 9/10	4 12 1/2
103 1/2	99 1/2	102 1/2	100 1/2	Conv. 2 1/2% 1948-53	102 1/2	102 1/2	2 7/8	32 1/4	25 1/4	5 b	3 a	26 1/2	26 1/2	5 12 1/2
103 1/2	99 1/2	102 1/2	100 1/2	Conv. 3 1/2% (after 1961)	105 1/2	105 1/2	3 1/8	35 1/4	27 1/4	Nil c	5 b	33 1/2	33 1/2	6 0 1/2
103 1/2	99 1/2	102 1/2	100 1/2	Conv. 5% 1944-64	102 1/2	102 1/2	2 1/4	54 1/2	49 1/2	12 1/2	14 b	30 1/2	30 1/2	7 7 1/2
103 1/2	99 1/2	102 1/2	100 1/2	Funding 2 1/2% 1956-61	96 1/2	97	2 1/4	54 1/2	50 1/2	12 1/2	12 1/2	49 1/2	48 1/2	2 11 1/2
96 1/2	93 1/2	97 1/2	95 1/2	Funding 2 1/2% 1952-57	100 1/2	100 1/2	2 1/8	39 1/4	33 1/4	6 b	4 c	51 1/2	51 1/2	4 16 1/2
102 1/2	99 1/2	101 1/2	99 1/2	Funding 3% 1959-69	100 1/2	100 1/2	2 1/8	11 1/8	8 3/4	5 c	10 c	32 1/2	32 1/2	6 16 1/2
116 1/2	112 1/2	112 1/2	112 1/2	Funding 4% 1960-90	113 1/2	113 1/2	2 1/8	27 1/4	24 1/4	2 1/2	5 1/2	25 1/2	25 1/2	5 14 1/2
102 1/2	99 1/2	102 1/2	100 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	101 1/2	2 2 1/2	20 1/4	17 3/4	6 b	4 b	17 1/2	17 1/2	5 14 1/2
103 1/2	99 1/2	102 1/2	100 1/2	Nat. Def. 3% 1954-58	102 1/2	102 1/2	2 17 1/2	10 1/2	Nil c	Nil c	Nil c	20 1/2	22 1/2	Nil
101 1/2	99 1/2	102 1/2	100 1/2	War Bonds 2 1/2% 1945-47	102 1/2	102 1/2	2 19 1/2	33 1/4	14 1/2	Nil c	Nil c	28 1/2	28 1/2	Nil
101 1/2	99 1/2	102 1/2	100 1/2	War Bonds 2 1/2% 1946-48	102 1/2	102 1/2	2 18 1/2	49 1/4	41 1/2	5 b	3 1/2	46 1/2	46 1/2	3 15 1/2
101 1/2	99 1/2	102 1/2	100 1/2	Savings Bonds 3% 1955-65	113 1/2	113 1/2	2 19 1/2	56 1/2	45 1/2	5 b	2 1/2	50 1/2	52 1/2	2 17 1/2
115 1/2	112 1/2	112 1/2	112 1/2	War Loan 3 1/2% 1955-59	101 1/2	101 1/2	2 17 1/2	24 1/2	15 1/2	3 c	3 1/2	21 1/2	22 1/2	3 6 1/2
103 1/2	100 1/2	103 1/2	100 1/2	War Loan 3 1/2% after 1952	103 1/2	103 1/2	3 7 1/2	37 1/2	31 1/2	7 1/2 c	7 1/2 c	36 1/2	36 1/2	4 2 1/2
106 1/2	103 1/2	106 1/2	103 1/2	Local Loans 3%	94 1/2	94 1/2	3 3 1/2	8 1/2	5 1/2	15 b	5 b	98 1/2	98 1/2	4 1 1/2
97 1/2	95 1/2	98 1/2	95 1/2	Redemption 3% 1986-96	98 1/2	98 1/2	3 1 1/2	10 1/2	7 1/2	15 b	15 b	26 1/2	27 1/2	4 2 1/2
101 1/2	98 1/2	102 1/2	101 1/2	Austria 3% 1933-53	102 1/2	102 1/2	2 17 1/2	50 1/4	44 1/2	10 c	10 c	46 1/2	47 1/2	4 5 1/2
Dom. & Col. Govts.														
102 1/2	101 1/2	103 1/2	101 1/2	Australia 5% 1945-55	102 1/2	102 1/2	3 18 1/2	10 1/2	8 1/2	17 1/2 c	17 1/2 c	40 1/2	40 1/2	3 19 1/2
103 1/2	100 1/2	105 1/2	102 1/2	New Zealand 5% 1946-56	113 1/2	113 1/2	3 18 1/2	43 1/2	37 1/2	3 a	5 b	18 1/2	18 1/2	2 13 1/2
111 1/2	106 1/2	112 1/2	110 1/2	Nigeria 5% 1950-60	112 1/2	112 1/2	3 4 1/2	20 1/4	16 3/4	1 1/2	1 1/2	32 1/2	32 1/2	4 6 1/2
Corporation Stocks														
108 1/2	105 1/2	108 1/2	105 1/2	Birmingham 5% 1946-56	106 1/2	106 1/2	2 14 1/2	35 1/2	31 3/4	4 1/2	4 1/2	38 1/2	38 1/2	4 8 1/2
97 1/2	93 1/2	98 1/2	92 1/2	L.C.C. 3%	93 1/2	93 1/2	3 4 1/2	42 1/2	37 3/4	5 1/2	3 a	41 1/2	42 1/2	3 16 1/2
100 1/2	98 1/2	100 1/2	99 1/2	Liverpool 3% 1954-64	99 1/2	99 1/2	3 2 1/2	28 1/2	24 1/2	10 c	10 c	26 1/2	26 1/2	2 8 1/2
106 1/2	104 1/2	106 1/2	104 1/2	Manchester 3 1/2% 1957-62	104 1/2	104 1/2	3 2 1/2	25 1/2	19 7/8	7 c	10 c	23 1/2	23 1/2	2 6 1/2
Foreign Government														
102 1/2	97 1/2	102 1/2	99 1/2	Argentina 4 1/2% Sds. Bds.	101 1/2	101 1/2	4 8 1/2	28 1/2	22 1/2	10 c	7 1/2 c	26 1/2	26 1/2	2 8 1/2
64 1/2	46 1/2	68 1/2	57 1/2	Brazil 5% Funding 1914	60 1/2	59 1/2	4 4 1/2	15 1/2	12 1/2	6 b	4 b	15 1/2	15 1/2	3 15 1/2
103 1/2	97 1/2	106 1/2	93 1/2	Chile 6% (1929)	29 1/2	29 1/2	5 12 1/2	19 1/2	16 1/2	18 c	18 c	33 1/2	33 1/2	3 11 1/2
92 1/2	7 1/2	106 1/2	100 1/2	Egypt United 4%	100 1/2	100 1/2	3 19 1/2	35 1/4	30 1/4	17 1/2	15 a	17 1/2	17 1/2	3 9 1/2
	5 1/2	98 1/2	88 1/2	Portuguese 3%	94 1/2	94 1/2	3 10 1/2	79 1/2	68 1/2	24 1/2	12 1/2	75 1/2	76 1/2	3 11 1/2
	5 1/2	96 1/2	86 1/2	Spanish 4%	66 1/2	66 1/2	6 1 1/2	45 1/2	37 1/2	110 a	17 1/2	40 1/2	40 1/2	2 3 1/2
								111 1/3	98 1/4	20 c	20 c	100 1/2	105 1/2	3 16 1/2
Shipping														
-3 c. 14								23 1/2	18 1/2	Nil c	2 1/2	23 1/2	23 1/2	2 3 1/2
Low	(a) (b) (c)							26 1/2	22 1/2	6 c	6 c	22 1/2	22 1/2	5 6 1/2
								34 1/2	30 1/2	6 c	6 c	30 1/2	30 1/2	5 8 1/2
								24 1/2	21 1/2	6 c	6 c	22 1/2	22 1/2	5 8 1/2
								19 1/2	16 1/2	5 c	5 c	17 1/2	17 1/2	5 17 1/2
Tea and Rubber														
72 1/2	73 1/2	74 1/2	74 1/2	Allied Sumatra Rbr. f.l.	9 1/2	10 1/2	Nil	11 1/2	11 1/2	15 1/2	15 1/2	10 1/2	10 1/2	Nil
26 1/2	26 1/2	26 1/2	26 1/2	Anglo-Indonesian Java f.l.	15 1/2	15 1/2	Nil	12 1/2	12 1/2	2 c	Nil c	35 1/2	35 1/2	5 11 1/2
80 1/2	72 1/2	72 1/2	72 1/2	United Assam f.l.	2 1/2	2 1/2	Nil	31 1/2	31 1/2	2 1/2	7 1/2	20 1/2	20 1/2	Nil
				London Asiatic Rbr. f.l.	17 1/2	17 1/2	Nil	17 1/2	17 1/2	9 c	Nil c	17 1/2	17 1/2	Nil
				Rubber Plims. Trust f.l.	1 1/2	1 1/2	Nil	1 1/2	1 1/2	9 c	Nil c	1 1/2	1 1/2	Nil
				United Serdang Rbr. f.l.	1 1/2	1 1/2	Nil	1 1/2	1 1/2	9 c	Nil c	1 1/2	1 1/2	Nil
Oil														
				Anglo-Iranian Ord. f.l.	113 1/2	113 1/2	15 1/2	78 1/2	72 1/2	15 b	5 a	75 1/2	75 1/2	3 9 1/2
				Burmah Oil f.l.	77 1/2	77 1/2	10 b	63 1/2	63 1/2	12 1/2	12 1/2	77 1/2	77 1/2	3 6 1/2
				Shell Transport Ord. f.l.	85 1/2	85 1/2	10 b	63 1/2	63 1/2	12 1/2	12 1/2	85 1/2	85 1/2	3 10 1/2
Miscellaneous														
81 1/2	73 1/2	74 1/2	74 1/2	Assoc. P. Cement Ord. f.l.	63 1/2	63 1/2	2 1/2	55 1/2	55 1/2	6 1/2	2 1/2	61 1/2	61 1/2	2 16 1/2
383 1/2	363 1/2	363 1/2	363 1/2	Barker (John) Ord. f.l.	41 1/2	41 1/2	10 c	41 1/2	41 1/2	20 c	24 c	41 1/2	41 1/2	2 18 1/2
642 1/2	637 1/2	637 1/2	637 1/2	Boots Pure Drug Ord. f.l.	57 1/2	57 1/2	10 c	57 1/2	57 1/2	10 c	10 c	57 1/2	57 1/2	2 18 1/2
26 1/2	26 1/2	26 1/2	26 1/2	British Aluminium f.l.	77 1/2	77 1/2	7 b	46 1/2	46 1/2	7 b	3 a	103 1/2	103 1/2	1 17 1/2
79 1/2	79 1/2	79 1/2	79 1/2	Brit.-Amer. Tobacco f.l.	76 1/2	76 1/2	7 a	76 1/2	76 1/2	7 a	7 a	76 1/2	76 1/2	3 16 1/2
68 1/2	68 1/2	68 1/2	68 1/2	Cable & Wire Hdq. Stock	135 1/2	135 1/2	17 c	135 1/2	135 1/2	17 c	17 c	135 1/2	135 1/2	3 16 1/2
60 1/2	60 1/2	60 1/2	60 1/2	Carreiras 'A' Ord. f.l.	39 1/2	39 1/2	40 c	39 1/2	39 1/2	40 c	40 c	39 1/2	39 1/2	4 7 1/2
93 1/2	93 1/2	93 1/2	93 1/2	Dunlop Rubber Ord. f.l.	27 1/2	27 1/2	10 c	27 1/2	27 1/2	10 c	10 c	27 1/2	27 1/2	2 19 1/2
6 1/2	6 1/2	6 1/2	6 1/2	Elec. & Mus. Ind. 10 1/2	31 1/2	31 1/2	12 1/2	31 1/2	31 1/2	12 1/2	12 1/2	31 1/2	31 1/2	3 19 1/2
75 1/2	75 1/2	75 1/2	75 1/2	Gestetner (D.) f.l.	75 1/2	75 1/2	7 1/2	75 1/2	75 1/2	7 1/2	7 1/2	75 1/2	75 1/2	2 13 1/2
56 1/2	56 1/2	56 1/2	56 1/2	Harrisons & Cros. Def. f.l.	38 1/2	38 1/2	3 1/2	38 1/2	38 1/2	3 1/2	3 1/2	38 1/2	38 1/2	4 3 1/2
91 1/2	85 1/2	85 1/2	85 1/2	Imperial Chemical Ord. f.l.	78 1/2	78 1/2	7 1/2	78 1/2	78 1/2	7 1/2	7 1/2	78 1/2	78 1/2	2 5 1/2
				International Nickel n.p.	33 1/2	33 1/2	3 1/2	33 1/2	33 1/2	3 1/2	3 1/2	33 1/2	33 1/2	5 2 1/2
				Lever & Unilever Ord. f.l.	34 1/2	34 1/2	3 1/2	34 1/2	34 1/2	3 1/2	3 1/2	34 1/2	34 1/2	2 18 1/2
				London Brick Ord. f.l.	62 1/2	62 1/2	3 1/2	62 1/2	62 1/2	3 1/2	3 1/2	62 1/2	62 1/2	3 2 1/2
				Marks & Spencer 'A' f.l.	97 1/2	97 1/2	10 c	97 1/2	97 1/2	10 c	10 c	97 1/2	97 1/2	4 3 1/2
				Murex f.l. Ord.	65 1/2	65 1/2	6 b	65 1/2	65 1/2	6 b	6 b	65 1/2	65 1/2	4 2 1/2
				Pinefin Johnson Ord. f.l.	67 1/2	67 1/2	6 b	67 1/2	67 1/2	6 b	6 b	67 1/2	67 1/2	4 8 1/2
				Spillers Ord. f.l.	67 1/2	67 1/2	6 b	67 1/2	67 1/2	6 b	6 b	67 1/2	67 1/2	3 19 1/2
				Fate and Lyle Ord. f.l.	37 1/2	37 1/2	7 1/2	37 1/2	37 1/2	7 1/2	7 1/2	37 1/2	37 1/2	2 12 1/2
				Triplex Safety Glass 10 1/2	83 1/2	83 1/2	10 c	83 1/2	83 1/2	10 c	10 c	83 1/2	83 1/2	4 8 1/2
				Tube Investments Ord. f.l.	79 1/2	79 1/2	8 1/2	79 1/2	79 1/2	8 1/2	8 1/2	79 1/2	79 1/2	6 5 1/2
				Turner & Newall Ord. f.l.	31 1/2	31 1/2	3 1/2	31 1/2	31 1/2	3 1/2	3 1/2	31 1/2	31 1/2	5 5 1/2
				United Molasses Ord. f.l.	57 1/2	57 1/2	5 1/2	57 1/2	57 1/2	5 1/2	5 1/2	57 1/2	57 1/2	5 10 1/2
				Woolworth Ord. f.l.	57 1/2	57 1/2	5 1/2	57 1/2	57 1/2	5 1/2	5 1/2	57 1/2	57 1/2	5 10 1/2
Investment Trusts														
230 1/2	188 1/2	6 b	4 a	Debutante Cp. Ord. Stock	226 1/2	226 1/2	4 9 1/2	61 1/2	47 1/2	35 b	45 a	56 1/2	56 1/2	5 13 1/2
228 1/2	180 1/2	7 b	4 a	Investment Trst. Def. Stk.	225 1/2	225 1/2	4 18 1/2	61 1/2	47 1/2	35 b	45 a	56 1/2	56 1/2	5 13 1/2
197 1/2	169 1/2	7 b												

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Dec. 9	4,445	4,260	102.1	134.1
" 10	4,093	4,058	102.3	134.1
" 13	5,385	4,004	102.4	134.0
" 14	4,087	5,853	102.5	134.0
" 15	4,057	4,727	102.4	134.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

New York

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Dec. 2	111.2	715,000	Dec. 8	111.8	824,000
" 3	111.3	558,000	" 7	112.9	884,000
" 4	111.4	302,000†	" 8	114.0	1,320,000

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

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 Cochin	Madras	Kisumu	Kenya
Aden Point (S. India)	Mombasa	Mombasa	Colony
Amritsar	Nairobi	Nairobi	British
Bombay	Delhi	Nakuru	E.A.
Calcutta	Kandy	Rangoon	Entebbe
Canton	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.

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)

APPOINTMENT. Robson, Morrow & Underwood have a vacancy for an outstanding man, Chartered Accountant or the equivalent, who has held industrial appointments and who is interested in being trained in the installation of modern accounting methods. Four figure commencing salary and excellent prospects. Mark envelope "Application." Full particulars to Robson, Morrow & Underwood, Victoria Station House, Victoria Street, London, S.W.1.

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, December 18, 1943.

(WEEKLY AVERAGES) (1935-36=100)

	1943		Nov. 24 1943	Dec. 1 1943	Dec. 8 1943
	Low Jan. 6	High July 15			
37 Industrials	81.1	103.5	92.3	91.2	94.2
32 Rails	72.6	99.9	84.8	83.2	86.4
40 Utilities	67.9	89.6a	84.6	84.5	85.9
419 Stocks	78.5	100.9	90.7	89.7	92.4
Av. yield %*	5.36	4.35	4.96	5.01	4.96

* Common Stocks. (a) Aug. 25.

Capital Issues

Week ending December 18, 1943

Particulars of Government issues appear on page 829.

Year†	Nominal Capital £	Con- versions £	Exclud- ing Conversions £
1943	1,580,649,865	1,555,899	1,582,245,764
1942	1,472,087,333	1,424,228	1,473,511,561

Destination*

Nature of Borrowing†

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1943	1,552,592,472	2,668,427	638,677	1,544,115,511	2,127,701	9,656,3
1942	1,429,376,057	774,216	78,315	1,416,171,131	988,562	7,068,81

* Conversions Excluded. † Includes Government issues to December 7, 1943, on above figures include all new capital in which permission to deal has been granted

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP
RESERVE FUNDS STERLING
RESERVE LIABILITY OF MEMBERS

Head Office (temporarily)

9, GRACECHURCH STREET, LONDON

Chief Manager: A. MORSBY

BRANCHES AND AGENCIES THROUGHOUT THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK TRUSTEE

9, Gracechurch Street, E.C.3, a company incorporated in the U.K.

an affiliate of The Hongkong and Shanghai Banking Co.

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, 3,921 Agencies at Post Offices in Australia.

As at 30th June, 1943—	General Bank Balances	£287,573,348
	Savings Bank Balances	221,004,681
	Note Issue Department	149,496,942
	Rural Credits Department	2,464,150
	Other Items	21,990,376
		£682,529,496

London Office: 8, OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

CANADIAN PACIFIC RAILWAY COMPANY (Incorp. Canada with Limited Liability).—Dividend Notice.—Final dividend of Two per Cent. on the Preference Stock of the year 1943 was declared payable on February 1st, 1944, order of the Board, FREDERICK BRAMLEY, Secretary, Montreal, December 13th, 1943.

COMPANY requiring investment in ships Mortgages invites applications from accountants. Write Box 119, THE ECONOMIST, Brettenham House, Lancaster Place, W.C.2.

EDITORIAL Secretary (Woman), exempt National Service, for busy National Newspaper. Ability handle correspondence in non-business jargon, plus organising ability. Interesting job with good salary. Write giving full particulars to Box 84, c/o C. Mitchell & Co., Ltd., 1 & 2, Snow Hill, London, E.C.1.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5235

REGISTERED AS A NEWSPAPER

DECEMBER 25, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

International Loan Morality 833

Balkan Mosaic - - - - 834

Beveridge-As-You-Go - - 836

NOTES OF THE WEEK - - - 839

The Education Bill; The Future of Coal Mining; Baltic Front and The Ukraine; Justice or Vengeance?; Good News from the Far East; Crisis in Bolivia; Bolivia's Future; Australian Labour; Commonwealth Integration; A Liberal Revival?; Industry and Research; The Future of Newfoundland; A Colonial Dual System; The Swedes Protest Again; Property and Incomes.

AMERICAN SURVEY - - - - 844

Labour-Management Councils; The Home Front; Working on the Railroad; Future of the Contracts; Sixth Senator; Reverse Rides Again; Shorter Note.

THE WORLD OVERSEAS - - - 847

Canada After the War; Family Allowances in Eire; Palestine's Inflation Problems; Russia at War.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE. TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

International Labour Office - 837

Canada after the War - - 847

A Railway Birthday - - - 851

THE BUSINESS WORLD

BUSINESS NOTES - - - - 852

Christmas Note Circulation; End of Year Preparations; Output Bonus; Australian Loan Repayment; Outlook for Kaffirs; Hudson to Farmers; High Hopes; The Price of Drink; Collector and Inspector; Blocked French Balances; South American Banking; Consultation Between Exchanges; Chartered Accountants Break New Ground; Cotton Cloth Exports; Miners' Welfare.

COMPANY MEETINGS - - - - 857

RECORDS AND STATISTICS - - 860

International Loan Morality

IN the general scheme of ideas on international economic reconstruction that is gradually emerging from the official discussions between London and Washington, great emphasis is laid on the part to be played by international lending. Loans will be needed for two distinct reasons—both to assist the transition to a workable international currency system and to provide funds for that development of backward areas from which so much economic and political benefit is rightly expected. Without an active international capital market, currency reconstruction will be impossible, and if world reconstruction is to depend upon charity its scope will be very limited.

Much of the necessary lending will doubtless be made under Government auspices. But the notion that the whole of international lending should be done by Governments is not likely to be one that will commend itself either in Washington or in London. If loans are not to be mere political subsidies, pawns in the game of economic power politics, it is essential that at least part of the required total should be freely negotiated, on a basis of mutual interest, between borrower and lender. Whether any privately-owned funds will be forthcoming, however, depends more upon anything else on the experience that has been gained in past loans. It is for these reasons that the readjustment of the Brazilian debt, on which detailed comment has been made in the "Business Notes" section of *The Economist* in recent weeks, assumes an importance far greater than the amount of capital involved would by itself indicate. It is a test case for the future of international lending.

No one, after the experience of the last two decades, would maintain that international loan contracts should never be modified. With the best will in the world, a country may find itself genuinely unable to meet its debt obligations. But to say that contracts can be modified when circumstances change should not be interpreted as meaning that there is no difference between morality and immorality in these matters. In particular, two rules can properly be insisted upon. The first is that the debtor should make a genuine effort to pay as much as he can without endangering his economic health. The second is that, if the amount paid is less than the amount due, a prior claim should be allowed to those creditors who have lent with wisdom and have been given prior security. Without this rule, sound and prudent loans made between an honest borrower and a careful lender may be ruined by a subsequent spate of loans made without security or reflection for the purpose of taking advantage of political opportunities or of riding a speculative market. The rule is a sound one in all bankruptcies, and is recognised by the domestic legislation of all countries; it is no less necessary in international loans.

The new Brazilian scheme violates both these rules. The details are complex and cannot be rehearsed here. Broadly speaking, however, the plan embraces the whole of the external debt of the Federal Government, the states, the municipalities and of one or two semi-private or wholly private debtors. In each case the creditor is offered an option, the two alternatives combining present cash

repayment and future interest in different proportions. In each case the offers are far below what is contractually due. The total statutory service of the foreign debt—itsself the result of a series of adjustments in the past—would call for some £23 million of foreign exchange a year. The present scheme would require between £7,700,000 and £8,300,000 according to the option. A good year before the war used to produce about £20 million of foreign exchange; in 1942 the favourable balance of payments was some £35 million and it will be about the same this year. It is clear that the sums offered by Brazil are much less than the country could reasonably expect to be able to find.

The breach of the second rule is no less patent. The great bulk of the British loans to Brazil date back to before the last war; when made, they were reasonably sound and prudent. During the two decades between the wars, however, Brazil benefited—or suffered, as the truth may be—from the plethora of capital available in New York for foreign loans. The methods followed in this foreign loan boom are too well known to require further description; the Brazilian loans were neither the best nor the worst that came to birth in that mad decade. Furthermore, the bulk of the British loans, as they stand to-day, are to the Federal Government, which should represent the highest security. American creditors, though they, too, lent to the Federal Government, also went in for loans to states and municipalities to a greater extent than the British. Finally, many of the British loans have specific and excellent security, while the American practice was not to require more than a general obligation.

It does not need to be proved that the American creditor has received better terms than the British, for the Accountant-General of Brazil, Senhor C. Souza Lemos has so stated in explicit terms. Of the outstanding debt, American hold 34.2 per cent; but they are to receive between 36.4 and 39.3 per cent of the payments according to the option chosen.

Here, then, is a manifest injustice and a most unfortunate precedent. If this is to be the treatment meted

out to creditors, then any hope of a revival of genuine international lending had better be abandoned. It must be asked how such an arrangement has seen the light of day. In former times, negotiations were carried on by the issuing houses which had originally been responsible for the loans. Nowadays, the Council of Foreign Bondholders enjoys official recognition as the representative of all British creditors. Official recognition, however, carries with it the obligation to pay heed to the wishes of the authorities, and the British authorities, in this case, were unwilling or unable to put any pressure on the Brazilian Government in favour of a less inequitable settlement. And it is an open secret in the City that the reason for the authorities' reluctance was the fact that Washington would not permit it. The official policy of the United States towards the whole of Latin America is generously paternalistic, and Brazil is the United States' best friend in the Continent. To have offended Brazil by asking for more would have run counter to the Good Neighbour policy; and it was necessary to secure relatively favourable terms for the American bondholders to prevent any agitation in American public opinion against so munificent a policy. Any British attempt to secure better terms than the present offer would not have received any support from Washington; it would quite possibly have excited official American disapproval. To put the matter quite bluntly, the British holder of Brazilian obligations has been made a sacrifice to Pan-Americanism.

It is difficult to criticise the British authorities, unless it be for their unwillingness to let the public know what has been going on. There are higher things at stake than Brazilian bonds. Least of any journal in the country would *The Economist* object to anything that smooths the path of British-American co-operation, even if it involves some sacrifice. If this is Washington's idea of a fair bargain, there is nothing to be done but to acquiesce. But it is as well that the record should be clear. In the Presidential campaign that is just beginning, Mr Roosevelt is going to be accused of being subservient to the British. Here is one proof to the contrary.

Balkan Mosaic

WHATEVER the excitement caused in the Balkans by the various Allied Conferences, it has now died down. M. Menemenjoglu interviewed German journalists on his return from Cairo. When they asked him whether his statements about the strengthening of the Anglo-Turkish Alliance meant that Turkey would "play a more active part in the war after Cairo," he replied: "No. I believe my declarations were clear enough: the policy of Turkey remains unchanged." Rightly or wrongly, the Axis countries look on Turkey as the barometer of war in the South East. They assume that no Allied invasion would be possible without Turkey's passive or even active assistance. They appear to have accepted M. Menemenjoglu's assurances at their face value. The tension has relaxed, for it is only the fear of invasion that in any way undermines Axis political control in the Balkans. The rats do not leave the still seaworthy ship. In Croatia, the Cabinet crisis has been resolved, and Pavelitch is conducting a propaganda tour in the newly incorporated Dalmatia. In Serbia, Neditch is raising a new militia, the Serb Security Corps. In Hungary, the Prime Minister, M. Kallay, addressing the Upper House on the question of foreign policy, declared that Hungary could not hold aloof from the present historical struggle, that the Hungarian people were wholeheartedly for defence against Bolshevism, and all that they asked was the righting of the "injustice of Trianon"—in other words, the maintenance of the frontiers Hungary has secured, under German patronage, at the expense of its neighbours. In Bulgaria, too, the Cabinet discussions and party meetings of a fortnight ago have ended in a strengthening of the Government's determination to secure "unity" in order to keep Greater Bulgaria intact.

The unsettling of Balkan politics, which continued

for a period after the collapse of Italy, has, for the time being, come to an end. No military forces fighting in the Balkans without outside assistance can disturb the political situation again. Invasion is the key. It is thus rather difficult to accept the extremely high value which quite suddenly in the last few weeks the military authorities have laid on guerilla operations in the Balkans, particularly on the fighting of Tito's partisans. No one will deny that they are doing heroic marvels of improvisation in questions of supply, that they are a perpetual embarrassment to the Germans, and have complicated the Axis defence problem by their ceaseless harrying of communications. In the days of disorganisation after the Italian collapse, they were able to conduct near-military operations in Slovenia and down the coast. Yet their activities remain essentially guerilla activities, and to say that they are holding up as many German divisions in the Balkans as does the Allied advance in Italy is straining credulity rather far.

It is important to get the scale of operations in the Balkans into proper perspective first for the military reason of not underestimating the enemy, and not miscalculating the degree of inside help awaiting the Allied invasion forces; but also for a political reason. The unfortunate position forecast long ago at the time of Casablanca—that of Allied countries possessing two or more governments—has now come to pass in Yugoslavia. This delicate situation, it is vital that the Allied statesmen should see all the factors involved without sentiment exaggeration. The problem presented by Yugoslavia can easily be repeated elsewhere. In a sense, it is a test case. On the Allies' handling of it may depend the success of their European policy. Two chief questions are involved in an internal one, the question of recognising a nation

government; an external one, the future relations of that nation with its neighbours and the Great Powers. For the first, the general principle should surely be that any government must represent all resisting groups and interests inside its country, and that it must accept its own provisional character. It is true that the conception of the *rassemblement national*, the representation of all forces, prevents the war from being fought ideologically. But why should it be fought ideologically? Resistance is not confined to any group or class, and the development of sharp political lines leads immediately not to a concentration of force, but to its dissipation. Yugoslavia is a case in point. Until the Yugoslav Government in exile failed completely on the federal issue, and substituted Serb nationalism for the co-operation of Serb, Croat and Slovene, no counter government was formed inside Yugoslavia, presumably because the Croats and Slovenes were still prepared to look to King Peter's Government. The adoption of the emigré Government of a definite and controversial political outlook immediately undermined its authority. Similarly with the partisans' National Committee, if it were to adopt Communism as its fighting political line, it would lose liberal support, and it would lose the very influential Catholic support of the Slovene and Croat clergy and faithful. Between the two "governments," there is no question which is nominally more representative. Tito's committee covers all shades of political and religious opinion, and includes all three nationalities. Its weakness lies in its excessive claims. It is not a government. A guerilla council cannot be a government because on the one hand it cannot claim continuity or constitutional rights, while on the other it is not in a position to sound public opinion and secure a popular mandate.

If the reports are true that Tito has "exiled" King Peter from his own country "until the people can decide," this is evidence of a self-assertive arrogance which bodes little good for future reconciliation in Yugoslavia. Allied diplomacy should counter this provocative move and work on the contrary to round off the representative character of the new Committee by uniting with it the one element in Cairo which is still not completely compromised by the pan-Serb follies of recent months. That element is the young King, who represents not only the continuity of the Yugoslav community, but also the forces which in March, 1941, took the decision which freed Yugoslavia from satellite status. At the same time, the Allies should check any attempt to secure for the partisan Council more than provisional status. The people must be able, without prior manipulation, to decide. Similarly in Greece, the Allies are right in working for the fusion of the two partisan groups in Greece, ELAS and EDES, and a new attempt should be made to strengthen the link between the partisans and the progressive forces represented in the Greek Government by M. Exintaris, for example. The

recent letter of the King promising to reserve the decision on his eventual return to Greece has, by its acceptance of the idea of the people's choice, done more for the monarchy than the rigid and uncompromising attitude of many of his supporters. Finally, in Italy, too, statesmanship is needed from the Allies, if the full representation of all groups and forces within a provisional government is to be secured. The refusal of the King to abdicate has alienated the liberals, who would have been the bridge between the Monarchists and the Left. His obstinacy threatens to destroy the hopes of securing, under Marshal Badoglio, a provisional Government from Left to Right. As a result, opinion, probably disastrously, is hardening against the idea of monarchy as such. Matters will not have been improved by the Allied authorities' fatuous decision to ban the Naples Conference of the political parties.

The chances of securing provisional and representative governments in South East Europe depend very largely at this point on vigorous Allied leadership. It is very fortunate that the second evil forecast at Casablanca, the backing of each local government by a different Great Power, has not come about. A very real degree of collaboration has been secured by the Moscow and Teheran Conferences, but so far it has tended to be negative rather than active. For example, the Soviets have not broken off relations with the Yugoslav Government in Cairo, and they delayed the sending of a military mission to the partisans until the British position has been made clear. All this is very much to the good, but what is still lacking is a more positive conception of the kind of general European policy the Allies intend to support after the war. It is impossible to postpone indefinitely such questions as a Balkan federal or regional organisation or the joining of the South Slavs in the Slav bloc against the *Drang nach Osten*. The mere building of the bloc under Russian leadership, though it would provide some of the conditions of military security, is not a long-term solution of East European problems, for behind military security lies economic restoration, and here not only do the Balkans need the economic support of the Western world; they will ultimately need German industry and German markets. Obviously the Slav *cordon sanitaire* does not solve the problem of the peaceful reintegration of Germany into a restored Europe. Yet Balkan peace in the long run depends upon that problem being solved.

We must hope that the meetings at Moscow and Teheran have taken the Allies on to these positive problems. The European Commission exists as a useful piece of machinery for carrying discussions forward to a more detailed stage. Much of the suspicions which float like a cloud of hornets round Balkan problems springs from the fear on either side that this or that Government, or this or that manœuvre in reality represents a jockeying for influence at the level of the Big Three. Their unity is the best assurance of Balkan unity—both within the nations and in their ultimate relations with each other.



CREATE AN ESTATE

Every man who effects a Life Assurance Policy immediately creates for those dependent upon him a personal Estate of known amount free from the risk of depreciation

EQUITY & LAW LIFE ASSURANCE SOCIETY
LINCOLN'S INN FIELDS

Temporarily removed to
163/4, STRAND, LONDON, W.C.2

Beveridge-As-You-Go

GOVERNMENT Departments are currently engaged in working out two separate and extremely complicated sets of arrangements concerning the financial relations between the state and the citizen. The Inland Revenue is working out a complete system of pay-as-you-earn taxation upon wages and salaries. Other departments are working out the complex rules by which Social Security benefits and allowances are to be paid in a revised Beveridge plan. At first sight, there is no very obvious connection between the two orders of ideas, and they are being handled in administrative isolation from each other. But in the course of working them out they seem—to the outside observer, if not to the Government official—to grow together. The purpose of this article is to suggest that they should be handled as two aspects of the same matter, that the aim should be to produce, not a Beveridge plan and a pay-as-you-go scheme, but what might be called Beveridge-as-you-go. The advantages would be not only a vast amount of administrative simplification—bringing with it the added benefit that the plain citizen will be able to understand the calculation of the amounts he pays and receives—but also the approach to a great new principle of economic democracy.

The pay-as-you-earn scheme represented by the White Paper of last September, and by the Income Tax (Employments) Act passed in November, is a highly complicated matter. Doubts are being freely expressed whether it will ever prove capable of being worked. But even if the Inland Revenue and the employers of the country do contrive, from next April, to perform their respective duties, the burdens the scheme will impose will certainly generate very heavy pressure for a revision. The Inland Revenue will quite certainly have to think again. The basic defect in the scheme, as has frequently been pointed out in *The Economist*, is that it is conceived on too narrow a basis. The attempt has been made to evolve means whereby tax can be collected as-you-go without any alteration, however minute, in the present structure of rates and allowances. The result is inevitably cumbrous. The only way in which a pay-as-you-go scheme can be made simple is by separating off into two distinct operations the payment of tax and the making of allowances. Instead, for example, of being allowed to deduct £50 a year from his taxable income for each child, the taxpayer should pay tax at a flat rate on the whole of his income, and, as a separate operation, be paid £25 a year (or any other convenient sum) for each child plus other appropriate sums in respect of the other allowances. To call this a separate operation does not mean that the actual cash transactions could not be combined. The simplest method would be for the taxpayer, at the beginning of each year, to be issued, in respect of each of the allowances to which he is entitled, with a set of dated payable orders—similar to the present old age pension books—which he would deposit with his employer to be used, week by week, in meeting his tax deductions. But the calculations would be separate, and the employer would calculate all his tax deductions at a single simple rate on all wages paid. This would be a great simplification for him, and the employee, on his side, would have the advantage of being able to understand how the net amount paid him is arrived at—as he certainly will not be able to do under the present scheme.

Such a system could not be arranged to be an exact replica of the present scales and allowances, though it would come very close to it. It can be predicted, with some confidence, that the Government will sooner or later turn to this method, since it is the only way in which pay-as-you-go can be made simple. But as soon as the income and become payments made in cash, or as offsets against collection of tax, an analogy with Social Security allowances begins to arise. The analogy is heightened by the fact that the benefits proposed by Sir William

Beveridge are very similar to the cash equivalents of the present income-tax allowances. The present income-tax allowance of £50 for a child is equivalent, at a standard rate of 10s. in the £, to a cash payment of 9s. 7d. a week, or at a standard rate of 9s. in the £ (which may be regarded as the standard rate applying to earned income) of 8s. 7½d. Sir William Beveridge proposed 8s. a week. By this process of reasoning, the income-tax approaches the Beveridge plan. If the plan were enacted, and income-tax were reformed as here indicated, the position would be that everyone who was unemployed, ill, over age, or otherwise qualified for Social Security benefits, would be receiving cash allowances from the state on a certain scale, while every income-taxpayer (above a certain level) would also be receiving allowances from the state on an almost identical scale. The case for an amalgamation of the two procedures is already strong.

There is, however, something to be added to it on the Beveridge side. The existence of dependants, and the necessity of providing for them, is a complication in social insurance as well as in income-tax. So long as contributions are levied at a flat rate on all workers, but benefits depend upon individual circumstances, there is a departure from the principles of insurance. Not only so, but the need for dependants' allowances so greatly increases the cost that the scheme cannot be made self-supporting. Sir William Beveridge proposes contributions at the rate of 4s. 3d. per week for an adult male worker, with an amount of 3s. 3d. to be contributed by the employer, and even so his plan involves a large subsidy from the state—that is, from general taxation. As a flat rate tax, the employees' contribution is large enough to be seriously inequitable, while the employers' contribution amounts to that worst of all taxes, a tax on employment. These financial proposals, as was pointed out in *The Economist* at the time, are the weakest part of the Beveridge plan. Sir William is aware of their defects; his defence of them is, in substance, that any attempt to levy the cost of social security by contributions proportional to income would be too complicated. So it would—if social security is regarded in isolation. But a proportional weekly levy on all incomes is precisely what pay-as-you-go income-tax achieves. Thus not only does income-tax approach Beveridge, but Beveridge approaches income-tax.

An amalgamation of pay-as-you-go with social security would make possible a very substantial administrative economy. But beyond and above that, it would be a long step forward on the way to the goal towards which the finance of democracy has been feeling its way for decades past. The ultimate aim of Beveridge-as-you-go should be twofold: a minimum cash income provided for every citizen, employed and unemployed, rich and poor, old and young; and a simple proportional income-tax deducted at a flat rate from all incomes however arising. (A progressive surtax would, of course, be added for the higher incomes.) Such a further extension of the idea of combining social security with pay-as-you-go, if it were practicable, would have enormous attractions. Tax collection would be a simple matter of deduction at source. And since the standard allowances would be paid to every citizen, it would be unnecessary to have any complicated machinery to determine who was entitled, in what circumstances, to draw social insurance benefits. And what more decisive demonstration of economic democracy could there be than that every citizen should be given a minimum income by the community, and pay to the community a fraction of all he earned?

This picture is attractive, and it may not be very remote. But it cannot be attained in full at present because of its heavy cost to the Exchequer. It is true that Beveridge-as-you-go would provide the unemployed man or the pensioner with no more than it is already proposed to give him. It is also true that the taxpayer with an income of such a size that, but for the present allowances, he would

be paying tax at the standard rate would also not gain. But these incomes are quite large. The borderline is reached for a single man at about £270 a year, for a childless married couple at £335, for a couple with one child at £390. For those in employment but with incomes below these, it would be a good bargain to pay the standard rate of tax on the whole of their income if in return they were to receive from the state payments equal to the cash equivalent of the present income-tax allowances. And if the standard rate of income-tax goes down without the cash payments being reduced, the borderline incomes are still higher. The cost of these good individual bargains would be too heavy for the finances of the state to bear.

The dream of a complete and simple combination of National Minimum with Universal Tax must therefore be deferred. But there is no reason why there should not be as close an approximation to it as can be contrived. One such scheme, drawn up by Lady Rhys Williams, has been adopted by the Women's Liberal Federation and published in the press. It has four main features:—

1. A self-supporting social insurance scheme, entirely financed by employers and employees' contributions, but covering the risks of wage-earners only, with no dependants' allowances.
2. Allowances to be paid in cash for all housewives, children and old persons.

3. Personal allowances for wage-earners to be paid only as offsets against income-tax due.
4. Tax to be deducted at the source at a single flat rate from all incomes.

The details of this particular scheme may or may not be acceptable. But the essential point is this—that by choosing appropriate rates of tax and scales of allowances, a scheme of this general nature could be worked out now, whose net effect on the Exchequer would be no different from what the combined effect of income-tax and social security, on the present model of each, is likely to be after the war. This is not a proposal for greater expenditure; it is a proposal for a simplification and rationalisation of the scale of taxation and expenditure to which the community is already committed. It is a rearrangement in preparation for a further advance.

It would be a resounding achievement if the British community could make provision, out of a simple tax on all its citizens, for a national minimum income for all its dependants—that is, for all those who through youth or age, through sickness or unemployment, through domestic ties or misfortune, are unable to earn their own livings. It would be a still greater achievement if, at the same time, the community could proclaim its intention of moving on, as soon as its wealth permits, to the ultimate simplicity of a cash allowance for all, financed out of a tax on every income.

The International Labour Office

THE Governing Body of the International Labour Office, which concluded its meeting in London on Monday, took decisions that affect not only the future of the ILO itself but raise important principles of social and economic co-operation between the nations. It agreed to hold the next session of the International Labour Conference in April, 1944, probably in Philadelphia, and decided upon an agenda of subjects to be discussed. This decision is welcome, because the special problems of post-war reconstruction with which the ILO will have to deal are growing in urgency.

It is widely recognised that the International Labour Organisation has a leading part to play in the transition from war to peace and in the shaping of future society. Both Mr Eden and Mr Bevin, in their speeches last week, declared that it was an obvious instrument for giving effect to the policy laid down in the Atlantic Charter, to attain "the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labour standards, economic advancement and social security." In some ways the war has improved the prospects for international co-operation over labour matters. Social consciousness has advanced considerably in many Allied countries. In Britain, for instance, the introduction of the guaranteed week, factory canteens, industrial health reforms and joint production committees have increased the standards and responsibilities of the workers, while full employment has resulted in a general levelling-up of incomes. Labour conditions in occupied Europe have deteriorated, but this has only increased the determination of the workers in those countries to wipe out the effects of Hitler's New Order and Dr Ley's Labour Front. At the same time, the movement for international co-operation, and the determination to avoid the economic insecurity of the pre-war period, have acquired new dimensions.

In other ways the war has created great difficulties for the ILO. The physical obstacles to consultation and co-operation have inevitably been considerable. The rift in the American Labour movement has undoubtedly created difficulties, while the exclusion of Soviet Russia, which will inevitably play a leading rôle in future labour policy, must weaken the Office's effectiveness. Moreover, it is hard to get agreement nationally on matters of post-

war reconstruction, much less internationally, and there are some sections of employers who might be reluctant to support an organisation the main purpose of which is to strengthen collective bargaining. Fundamentally, of course, the ILO must reflect the position of the international trade union movement, which is inevitably disorganised under war conditions.

The net result has been that the International Labour Office has, to some extent, been out of the picture. There seems to have been a certain tendency to sidetrack the Office, to leave it out of international discussions, and a reluctance to give it the support necessary to equip it for its post-war tasks. At the last International Labour Conference, held in New York in October, 1941, the broad outlines for a post-war policy were laid down. The ILO was given a "Social Mandate," with very wide terms of reference, and resolutions were passed stipulating that the ILO should be associated in reconstruction plans and should be represented at any peace conference. Six months later, the ILO's Emergency Committee met in London to discuss ways and means of carrying out its policy. But in fact little was done. The ILO was not associated with the Bermuda Conference on Refugees nor, originally, with the Hot Springs Food Conference, though subsequent consultations have taken place. Nor did it figure in the Washington monetary talks.

Concern lest the end of the war should find the ILO without sufficient preparation or support have been expressed by the Office's Acting Director, Mr Edward J. Phelan. On October 6th he asked: "Will it be used? Are the United Nations really alive to its vast potentialities? Have they the vision to see how greatly its use, based as it is on the joint collaboration of Governments, workers and employers, will facilitate the many difficult problems that lie ahead? Trade Unionists in many countries, and from the occupied countries of Europe in particular, are asking these questions with growing anxiety." The same fears, and a determination that the ILO should adequately and actively participate in the international agencies for post-war reconstruction, were forcibly expressed last week by the representatives of the workers' group.

But latterly there have been signs that the difficulties have been, or are being, overcome. The United Nations Relief and Rehabilitation Administration specifically

referred to the place of the ILO as a vital international agency, and the Moscow Conference agreed on the necessity for collaboration on economic and social matters. The decision of the British TUC to summon a world trade union conference in June, 1944, is indicative of a restoration of international trade union strength and activity. Moreover, the statements by Government representatives at the Governing Body's meeting show that the United Nations are prepared not only to pay compliments to the ILO but to utilise its services.

Failure to make full use of the International Labour Office would certainly be short-sighted. Technically it is well equipped to handle the tasks of labour administration and co-operation. It is one of the products of Geneva which has best withstood the test of time. During the last three years it has collected information and compiled statistics which would not otherwise have been collected or compiled. Its staff is compact and skilled, and the organisation has built up a great deal of good will in all the free countries of the world. But, however perfect the machine, unless it has a motor it will not work. The political sections of the League of Nations' Secretariat lacked nothing in skill, but there was no will to use them. Equally, the ILO will not be able to function unless its member States are prepared to make it a live and effective instrument of policy, and unless it rests on an active international workers' movement.

The first, and most important, item on the agenda of the forthcoming International Labour Conference is "the future policy, programme and status of the ILO." What, in fact, is to be its status? If the ILO were content to remain purely an instrument for the co-ordination of information, or to act as an advisory body for Ministries of Labour in various countries, its path would no doubt be smooth. But it must do more than these things. Its functions, laid down in its original Constitution, cover a very wide social and industrial field. They include the improvement of working hours and conditions, the regulation of labour supply, the

provision of an adequate living wage, the protection of workers against sickness, old age and accidents, the protection of children, young persons and women; they cover industrial welfare and safety, labour relations and collective bargaining. The organisation has already achieved a notable and creditable measure of progress in these fields. But the other aims laid down in the preamble, the "recognition of the principle of freedom of association and the organisation of technical and vocational education," have hardly been touched, nor has there been any sustained international attempt to raise the workers' standards of living. And even in the field of social insurance there is wide disparity between the practices of different countries.

To meet the immediate tasks in the transition period and to fulfil in the longer term the broader mandate outlined in the Atlantic Charter, the machinery of the ILO will need to be strengthened. One proposal, now being discussed, is for the bringing together of occupational groups within the framework of the ILO. The British Government has suggested that joint industrial committees should be formed to cover the main industries of mining, iron and steel, engineering, building, textiles, railways and transport, docks, and distributive trades. The Joint Maritime Commission, dealing with seamen's conditions and standards, is an outstanding example of successful co-operation on these lines. Seafaring is perhaps more international than industry, but as Mr Bevin, who is "a great believer in the value of 'occupational groups,'" urged, the common interests can be greater than national or racial distinctions.

With its organisation strengthened by such means, and assured of the support of its constituent members, the ILO can make a real contribution to the raising of social standards. Its activities, as Mr Harold Butler has said, touch on "all those wider questions which are inherent in the vast problems of stabilising employment and lifting the standard of life to more civilised levels everywhere." But these activities must be related to the broad social and economic policies of the constituent Governments.

There is a difference between labour standards and standards of living. It is true that the conditions of labour are dependent upon the level of wealth and productivity. Before a country can guarantee short hours, high wages, extensive welfare arrangements and the rest, it must first attain to an adequate national income to support these things. There is some tendency among the enthusiasts for the ILO to reason that, because labour problems cannot be solved except within the framework of wider economic policy, the ILO should take the whole of international economic relations as its province. It is in this spirit that the absence of ILO representation from the Washington monetary discussions was deplored. But any such extension of the ILO's functions would be a serious mistake—not because it would be illogical but because it would not succeed. Questions of employment and trade are, in these days, matters of the highest policy. It is unlikely in the extreme that Governments will be content to deal with them through the mechanism of the ILO. And if they did, the ILO would immediately become what, to its great advantage, it has hitherto avoided being—a political organisation.

The ILO will be well advised to leave the high politics of economic affairs to other agencies. Its particular function is to see that Labour in each country gets its fair share of the national income of that country. That is neither a small task nor an important one. The fear of unfair competition from "cheap labour" has been one of the most potent causes for the construction of the Chinese Wall of trade obstructions. Absolute equality of labour standards and labour incomes throughout the world is an impossibility for many decades to come. But if labour everywhere gets a return, in wages and conditions of work, that is proportionate to its productivity, there can be no unfair competition based on "cheap labour." International pressure to raise labour standards is thus not only a work of justice: it is an assistance to that restoration of free and fair trading to which the signatories of the Atlantic Charter have pledged themselves.

NOTES OF THE WEEK

The Education Bill

"If Mr Butler can, first, repair the omissions in his White Paper and, then, pilot through Parliament a Bill which unambiguously commits him and his successors, he will be, beyond question, the most effective President the Board has ever had. Until then, a certain scepticism will be in order." These were the concluding sentences of *The Economist's* comment on the White Paper on Educational Reform when it was issued in July. The Bill has now appeared, with 111 clauses and 9 schedules, and the Parliamentary omens appear to be favourable. Some of the scepticism is accordingly dissolving. The Bill follows the White Paper very closely. The two main departures from it are concessions to the Churches and to the smaller local authorities, and are therefore to be regretted; but they are not large and may be the means of avoiding a great deal of trouble. The concession to the Churches is that the maintenance of the dual system, wherever the managers of the school can find 50 per cent of the cost of external repairs and improvements, is to apply to new schools as well as to existing schools. This makes a generous offer still more generous. It means that whenever a religious body can find half the cost of the bare external shell of an adequate school, the public authorities are committed to finding the other half, and the whole of the internal cost, the cost of playgrounds and playing-fields and the running expenses, while the religious body appoints the teachers and, within wide limits, controls the education. That the making of such an offer can be represented as an oppressive attack on the Churches (as some Catholics and a few Anglicans are saying) merely illustrates the lengths to which distortion of language can be carried. It is inconceivable that Parliament should pay any attention to clamour resting on such slender justification. The concession to the local authorities is a complicated set of provisions by which the county council may (and, in some cases, must) delegate some of its educational powers to minor bodies. In all cases, however, the levying of an educational rate is reserved to the county (or county borough) council. This may save the concession from being really harmful. But it is nevertheless a pity that the President has thought it necessary to depart from the simplicity of his original plan.

The White Paper outlined a considerable advance, and the Bill, when it becomes an Act, will be a great achievement. Nevertheless, the three major criticisms of the White Paper still remain as criticisms of the Bill. The first is that the time-table is rather sketchy. Part I, which deals with little but the internal organisation of the Board of Education, is to come into effect immediately the Bill is passed. Part II, which is more important, will, it is true, come into force on a specified day, April 1, 1945. This part raises the leaving age to 15, creates the new educational authorities, and requires them to submit development plans within one further year. Beyond that, all is vague. Moreover, the time-table will certainly be extended by the second defect, which is that the Bill imposes very heavy new burdens on the local authorities. In 1938-39, the total expenditure on education out of public funds in England and Wales was about £103 million, of which about £49½ million fell on the rates. The total expenditure, it is now estimated, will "ultimately" (after the leaving age is raised to 16) be £203 million, of which the rates will have to find £88 million. This increase of £38½ million is almost exactly one-fifth of the total amount levied in rates, for all purposes, before the war—an average increase of the order of 3s. in the £. It is not, of course, Mr Butler's responsibility to tell the local authorities how they are to find this sum, together with the similar sums they will be told to find for medical services, housing, town planning and so forth; but their difficulties will inevitably slow down the pace of educational reform. A sum of £900,000 a year is to be provided for special grants to the poorer authorities; but it is far too small to be of any real value. Thirdly, the Bill does not repair any of the patent omissions in the White Paper. It says nothing about the recruitment and training of the large number of teachers that will be needed. It says nothing about what is to be taught in the schools, other than the very carefully drafted clauses relating to religious teaching. And it says nothing about the great national schism by which the English people,

almost alone in the world and to their great discredit and disadvantage, continue to maintain separate educational systems for the rich and for the poor. It may be that there are technical and Parliamentary advantages in getting the present Bill through before these large questions are tackled; and it should certainly not be attacked or obstructed because it is incomplete. But until these omissions are repaired, the Government's policy cannot be described as one of educational reform; it is a technical preface to reform.

The Future of Coal Mining

Mr Bevin's statement in the House of Commons last Friday that the Government intends to maintain the coal-mining industry on a sound basis after the war has been generally welcomed. The protracted negotiations between the Minister of Fuel and the two sides of the industry have so far concentrated on the immediate problems of wartime control and grouping, labour discipline and production bonuses (described in a note on page 852), but the long-term problems are not very far in the background. Mr Bevin said bluntly that the Government could not "leave the coal industry where it is and expect it to survive," and he stressed the importance to this country's industrial future of developing coal by-product and chemical industries. One method of approach is to encourage research and technical development; another is to improve the miners' security and working conditions. The Minister of Labour was able to give the House some assurances about the scheme for recruitment to the mines and, in particular, about the provision for medical examination and continued education. Members were, on the whole, not critical about the details of the scheme, though some doubts were raised about the adequacy of housing arrangements, nor of the method of selection by ballot, which was accepted as the fairest and probably inevitable under the circumstances. They welcomed the introduction of fresh recruits as a means of breaking down the isolation of the mining industry. Their criticisms were directed at the Government's whole handling of the coal situation, which had made these measures of conscription necessary, and at the alternation between optimism and pessimism in Ministerial speeches, and the "humiliating position where the greatest coal exporting country in the world is moving from month to month from one coal crisis to another." Lieut.-Colonel Lancaster, in a sensible speech, thought that it would take at least twelve months before 50 per cent of the recruits became fully productive and 18 months for the remainder. He, and other Members, urged the adoption of the Forster Committee's report on the recruitment and training of juveniles. Most of the youths, who are conscripted for the duration of the war, will want to leave the industry at the first opportunity, unless conditions are made more permanently attractive and coal-mining can offer the prospects of a career. The problem of lack of manpower may well have been only postponed.

The Baltic Front and Ukraine

The Russian thrust from Nevel towards Polotsk has achieved an important initial success. Vitebsk is being outflanked from the north and north-east. The Vitebsk-Nevel railway has been cut in several places, between Gorodok and Oserishtche. It is, however, not at all certain that the real winter offensive has already begun on the first Baltic front. General Bagramyan's troops are now fighting in an area which is very densely dotted with lakes—Oserishtche means in Russian the district of lakes. At this time of the year the lakes are still not quite frozen, and the defence can use them as invaluable obstacles to the Russian advance. The Nevel thrust is therefore more likely to be a preliminary manoeuvre designed to divert the Germans from some other sectors where the prospects of a Russian offensive look more promising; for instance, from Vitebsk itself, or from the Smolensk-Orsha road. It is in any case clear that the Baltic front will become the main theatre of operations in the near future, because during the early winter the weather is more favourable for an offensive in the north than in the south. So far, the new Russian operations have not offered any immediate threat to the German forces in

JAEGER

Facts

1. Wool does not become damp like cotton or linen.
2. Wool is warmer in winter and cooler in summer because it is a slow conductor of heat.
3. Wool ventilates the skin, so keeps it in good condition.
4. Wool is just as important in bed.
5. Wool therefore is best for health and comfort.

the Leningrad province. And no such threat can arise as long as the Leningrad-Dvinsk-Warsaw railway, 150-200 miles to the west of Nevel-Vitebsk, remains beyond the Russians' reach. On the Ukrainian front in the south enormous tank forces are still interlocked in the battle of the Kiev salient. Manstein's offensive has, however, achieved no further success in the course of the past fortnight or so. The renewed Russian pressure in front of Cherkassy, and in the directions of Kirovograd and Nikopol, is preventing the German Command from achieving that higher degree of concentration which might possibly enable them to recapture Kiev. The liquidation of the German bridgehead across the Dnieper mouth, opposite Kherson, does not materially alter the position in the extreme south, where the Germans are still holding out in the Crimea.

Justice or Vengeance?

Last week the first "trial of war criminals" took place before the Military Tribunal of the Fourth Ukrainian Army Front in Kharkov. The four defendants were a corporal of the German Auxiliary Military Police, an SS *Untersturmführer*, a captain of the German counter-espionage and a Russian who had been employed as a driver by the Gestapo, in a word the smaller fry in the German terror apparatus that had held in its grip large parts of Russia for nearly two years. A characteristic feature of the proceedings was the self-accusations of the defendants, the oddity of which cannot fail to strike people accustomed to Western judicial procedure. Whatever one may think of the conduct of the Kharkov trial, there can be no doubt that the atrocities of which the men were accused have taken place. The use of "gas-vans" for the mass extermination of innocent people, the execution of hospital patients and of women and children, the shootings of prisoners of war—these and a host of similar practices have for some time past been reliably reported from occupied Russia as well as from the other occupied countries in eastern Europe. "International law or any other law has had no validity on the eastern front"—said one of the defendants in the Kharkov trial. Somebody should and must bear the responsibility for this frightful state of affairs, if all demands of justice are not to be simply thrown overboard.

Yet two principles must be maintained. First, the men in leading and responsible positions should be punished, and not subordinate ranks who may have acted on the orders of their superiors. "I acted upon the orders of my immediate superiors." "If I had refused to carry out such orders I would have been court-martialled and shot on the spot"—these were the refrains repeated by each of the defendants in the Kharkov trial. The reports of the trial available here do not give the impression that the Russian Military Tribunal gave sufficient attention to this point or that these assertions of the defendants were convincingly refuted by the findings of the Court. The issue has, admittedly, been extremely difficult. "Not soldiers but hangmen sit in the dock," wrote an authoritative Russian commentator when the trial was on. They were, in fact, both soldiers and hangmen, and this makes the problem desperately complex. The second essential principle is that justice should not be confounded with vengeance. Unfortunately, the atmosphere which surrounds the Kharkov trial gives no guarantee that the distinction between the two has been made with sufficient clearness. The press campaign was extremely violent. It exalted the "punishing sword of justice and vengeance." For the first time since Tsarist days gallows appeared; and the hanging of the convicts was made a public spectacle. What is involved here is not merely sentimental scruples, for which there may be little room in this age of iron and blood, but one of the major political problems of war and peace. The Kharkov trial is intended to be the first of a series. It may well set the pattern for the punishment of war criminals throughout eastern Europe. Retribution may easily degenerate into irresponsible acts of mass vengeance, of which the aftermath is certain to that the Kharkov trial was meant to forestall acts of spontaneous lynching of Germans and of Russian traitors by the Russian people themselves; and this would, to some extent, seem to explain the shortcomings in its proceedings. Even so, it to be jointly agreed among the Allies, both as to forms and principles; and perhaps some special courts, not necessarily military tribunals, ought to be set up to try the

war criminals in a spirit somewhat less affected by the passions which are bound to prevail amid the ruins of a destroyed city almost behind the front lines.

Good News from the Far East

The week has brought good news from the Far East. The next stage in the Allied advance on Rabaul has opened with a successful landing on New Britain. The Arawe area is at the extreme tip of the island, furthest from the great Japanese base, but once airfields have been established, it should be possible to prepare the way for a direct attack by intense close-range bombing. Throughout the area, the Allied air attacks are growing in intensity, and it is likely that the weight of bombing on the Japanese airfields will obviate the weeks of hand-to-hand fighting which, for example, preceded the capture of Munda. It is not only the immediate conduct of the war that is developing favourably. A new and successful step has been taken to improve the vitally important machinery for victory. The technical difficulty of welding three services, several nations and a multitude of fronts into a fighting unity is undoubtedly the most serious problem facing the Allied Commanders in the Far East. Lord Louis Mountbatten has taken a big and imaginative step forward with the fusion of the British and American air forces into a single air command under Sir Richard Peirse, with Major-General George Stratemyer as his second in command. Lord Louis, in announcing the fusion, said

I feel certain that the American and British forces will prove far more effective now that they are united into a single Allied airforce.

This raises the question whether the process of fusion might not be very usefully extended, to the land and sea forces in the first place, and, although the technical difficulties would be greater, to the problem of co-ordinating air, land and sea forces into a single striking force. The Far Eastern war will be essentially a three-service operation. If, as Lord Louis said, "the Allied command works best with closely integrated forces," how much further can the process of integration go? The arrangements announced for the division of the new air command into a tactical air force under Air-Marshal Sir John Baldwin, and a strategic air force under Brigadier-General Howard Davidson, suggest that the technique worked out in the Mediterranean will be applied in South-East Asia. The tactical air force will co-operate in the closest liaison with the land and sea forces, the strategic air force will fulfil functions similar to those of Bomber Command in Britain. The system appears to have worked well in Tunisia, Sicily and Italy. It may well be the best method for the coming Burma campaign.

Crisis in Bolivia

The Government of the Bolivian President Peñaranda had been under fire for some time past. It was violently unpopular with the Left because of its handling of the Catavi strike a year ago in which a number of miners were shot. It was equally unpopular with the extremist Right because it was not sufficiently "nationalist" and because, as national socialists, the young men of the *Movimiento Nacionalista Revolucionario* attacked the Government for its "bourgeois capitalist" outlook, its dependence upon the mineowners and on foreign interests. To this extent—a familiar phenomenon—Right and Left could make common cause against the rather shabby and shop-soiled "democracy" of the centre parties. After a defeat in Parliament in September, those parties, the Liberals, the Unified Socialists, the Republican Socialists and Republicanos Genuinos, drew up a working agreement to secure a parliamentary majority and to work together in the approaching municipal elections. This move was interpreted as a bid to exclude the extremists permanently and it is perhaps not without significance that one of the leaders of the *coup d'état*, Señor Victor Paz Estensoro, paid a visit to President Ramirez at Buenos Aires about this time. The revolutionaries had the support of strong sections in the Army (which is behind most moves in Bolivian politics), and after stiff fighting in La Paz, they were able over last week-end to turn the President and his Government out of office. The first announcement of the new President, Maíor Gualberto

Villarreal, was a promise to keep the democratic constitution, pursue a good-neighbour policy and uphold international relations and the Atlantic Charter.

It is early to prophesy the consequences of the *coup d'état* with any certainty. In internal politics, it is almost certainly Fascist with strong prejudices against foreign capital. Although half of Bolivia's chief raw material, tin, belongs to a Bolivian, Simon Patiño, the rest was divided at the beginning of the war between Argentine and Swiss interests. Since the war, the United States has entered into the Bolivian economic picture more and more as a mass purchaser of tin and tungsten, Bolivia's whole economic life to-day is dependent upon United States purchases. It follows that although the Bolivians may resent their dependence, they are not in a strong position to take action against foreign capital. Señor Estensoro has a reputation for radical sympathies. He led the attack on the Peñaranda Government as the corrupt tool of the mineowners. Will this radicalism survive office? The Ramirez Government in Argentina came in with a great crusade to clean up public life. It has grown noticeably dirtier since. The condition of the Bolivian workers is evil beyond belief. Even so, the Governments of this national socialist type very rarely turn the promises which gained them working-class support into actual performance. They are even opposing the United States effort to ensure that a proportion of the increased price paid for tin is passed on to the workers. The owners fear the precedent. The only attack likely to be launched against their position will come from the nationalism and not the socialism of the new regime. There may be an expropriation of foreign capital. The international attitude of the new Government has not yet become manifest yet, but it is hard to avoid the belief that it will be unfavourable to United States influence, will look to Argentina rather than Brazil and pursue a vexatious policy in its relations with most of its neighbours. The shadow of post-war problems and clashes of interest already lies across the continent—first Buenos Aires, then La Paz, The Bolivian experiment may be more moderate, but this is, perhaps, unlikely. Bolivians are not moderate by temperament.

Bolivia's Future

The cardinal fact about Bolivia's past, present and future is the grinding poverty of nearly all its three million inhabitants. The high plateau produces little or no food. Supplies are imported against exports of metals. If the world market for metals were to collapse, nothing but starvation would face great masses of Bolivians. Little or nothing has been done to build up subsidiary industries or make mining the centre of a more balanced economic structure. To do this would require capital, but successive Bolivian Governments have permitted the larger part of the profits of the mines to leave the country. Señor Patiño's fortune at one time was estimated at £100 million. Little of it found its way back to Bolivia. The country needs a vigorous government action to ensure that the proceeds of the mining industry are ploughed back into the community, other industries developed, and the stark economic ruin which hangs over Bolivia warded off. More capital is needed, and it would be tragic if indiscriminate nationalism were to drive out American aid, or were to allow the country to be torn between the competing economic advances of Argentina and Brazil. There is little in the new Government to suggest that it grasps the real basis of Bolivia's unsettled economy and explosive politics. Yet if understanding is long postponed, the problem will be insoluble. An ominous warning came recently from the Bolivian Development Corporation. It stated in a report that "the Bolivian mining industry has entered a period of decline and exhaustion which will be definitive if no new deposits are discovered, and no substantial technical improvements introduced for the exploitation of low-grade ore." The Peñaranda Government proposed to set up a National Institute for the Investigation of Ore and Oil Deposits in order to extend and diversify the industry, as well as build up refining plants in Bolivia itself. If the new regime allows its zeal to flow into similar channels, the economic crisis which will make Bolivia a Latin American storm-centre may yet be avoided.

Australian Labour

Mr Curtin has won a victory almost more difficult than his triumph over the Opposition at the polls: he has persuaded the exultant Labour Party, assembled in conference, to bring its proclaimed policy into closer accord with realities. From the internal point of view, the most important steps taken last week were constitutional. On the one hand, the Labour Party disavowed its long-standing intention of abolishing the separate Parliaments of the States; and on the other hand it advocated the re-submission to plebiscite of the amendments to the Federal Constitution rejected last year, which would have the effect of strengthening the hand of the Commonwealth Government. It remains to be seen whether the authority of the Labour Party, which in the recent election polled a majority in every state, will suffice to carry this reform through. The other great change in policy that the conference, under Mr Curtin's leadership, enacted, was the complete abandonment of that isolationism, or semi-isolationism, to which Australian Labour has long been addicted. The facts of the world are, of course, superabundantly clear; there can hardly be a country in the world for which isolation is a more fatuous impossibility than it is for Australia. But it is a great advantage to have the record clear.

Commonwealth Integration

The question of Australia's place in the world was very naturally coupled with that of Australia's place in the British Commonwealth of Nations, and Mr Curtin reverted to his earlier advocacy of some strengthening of the organs of Commonwealth association. His remarks have aroused some discussion in Australia, but the critics appear to have limited themselves to pointing out the discrepancy between Mr Curtin's suggestions and his speeches of two years ago, with their strong anti-British tinge, or the inconsistency between his advocacy of more frequent meetings and his record as the only Dominion Prime Minister who has persistently stayed at home during the war. Such accusations are the customary small change of Australian politics; the important fact is that the critics do not dis-

More NEWS of No. 4 WHITE HORSE

Safeguarding the quality

Like many other good things, White Horse Whisky is not so easy to obtain as it was, and more people than ever are anxious for a share of the regulated supplies that are available.

But rarity lends an added charm. We enjoy good things even more when we get them only now and then. And how good is an occasional glass of White Horse Whisky in this fifth year of war. A whisky of rich fragrance, and full, round flavour, of rare delicacy and bouquet. A whisky in which all the qualities of great age are crowned by a genial, heartening glow with never a trace of fire.

Forethought and a provident care of stocks laid down in years of plenty have provided a modest supply for your pleasure to-day. But the supply is regulated. Regulated to ensure that, to-day and always, White Horse shall be the whisky 'fine as a fine liqueur.'

MAXIMUM PRICES: Bottles 25/9, Half Bottles 13/6

agree with the policy Mr Curtin proposes. New Zealand opinion, it appears, is also in favour of anything that draws the bonds of the Commonwealth closer. There would be, as always, strong support for any such proposal in the United Kingdom. Public opinion in South Africa, and especially in Canada, is more hesitant but not openly hostile. On the surface it would appear that the Commonwealth is on the verge of a new phase, in which the tendency will be towards closer association rather than towards greater freedom of action for the Dominions.

This may be. But it is important to note that the reasons for closer association are different in different parts of the Commonwealth. The reason that Mr Curtin gives is so that Australia shall not again find itself committed to a policy in the shaping of which it has had no real hand. His wish is not to abridge Australia's sovereignty, but to express it more effectively. United Kingdom advocacy of the same proposal springs from the desire that the British representative in the counsels of the Great Powers shall speak in the name, and with the authority, of the whole Commonwealth. These two approaches are not, of course, irreconcilable. But they do mean that any precise proposal for closer association will have to have a keen eye to the fears of both parties. The Dominions do not want any machinery which, whatever its phraseology and whatever its parade of equal consultation, leaves them in fact in the position of merely being informed, after the event, of the United Kingdom Government's decisions and invited to regard themselves as committed thereby. They have that already, and they are not satisfied with it. If London wants the whole Commonwealth to have a common policy, it must give the whole Commonwealth a genuine opportunity to participate in its formulation, from the first minute to the last commitment. On the other hand, the United Kingdom's apprehension is lest the Dominions seek to have a voice in British decisions without being committed to the execution of those decisions, and to their consequences. Mr Curtin has often appeared to imply just that, and last week's resolution, with its emphasis on Australian sovereignty, could be read in that way. Any such suggestion would naturally be unacceptable as a principle of policy. It is true that a Dominion can no more be led to war against the will of its own Parliament than can the United Kingdom itself. But this very obvious principle of democracy does not hinder Governments from entering upon policies that involve commitments. It is also true that neither the United Kingdom nor any of the Dominions can be coerced into or out of a policy by the votes of its colleagues. The precedent of Eire sufficiently establishes that, and any scheme of closer association would have to provide for any member to contract out of any policy from which it dissented. But what cannot be in the interests of the United Kingdom, or the Dominions, is that they should neither assent nor dissent, and that they should, in some sudden crisis, find themselves committed, not by coercion from London but by their own interests and wishes, to a policy which they have never fully appreciated and for whose consequences they are quite unprepared. The need is not to elaborate federal organs, but machinery by which there can be constant, free and equal consultation

and by which the British nations can act in concert in that great majority of issues where they think alike.

A Liberal Revival?

For the second time in a few months, an "Independent Liberal" candidate has come close to winning a Parliamentary by-election. In August Donald Johnson lost Chippenham by only 195 votes, and last week Miss Honor Balfour came within 70 votes of being returned for Darwen. In both cases the candidates were members of the Liberal Party Organisation, from which they were compelled to resign, since the party loyally observes the political truce. The "Independent" in their title thus represents a revolt from the party line as well as opposition to the Government. By-elections are rarely significant in themselves, and two are not enough to establish a firm trend. Nevertheless there is something that needs explaining when Conservative candidates, backed by the Labour and Liberal leaders, have such difficulty in defeating candidates who carry the standard—albeit differentiated with independence—of a party that has so often, by its opponents, been formally buried. It is true that both these Liberal candidates were of high quality—but so were the official candidates. It is true that Darwen was Lord Samuel's seat—but it rejected him in 1935. It is true that Miss Balfour gained a lot of Catholic votes by an attitude to the Education Bill which will certainly not be that of the Liberal Party in the House of Commons—but there is always some issue that can be turned to account by a skilled electioneer. These two results cannot be shrugged off in this way. Undoubtedly, they show a deep dissatisfaction among the electorate with the political leadership the Government is providing. Nor can there be much doubt that the cause of the discontent is the excessively timid and inarticulate way in which the Government is approaching the domestic problems of post-war reconstruction. What the elections do not show is whether this strong and widespread feeling is purely negative or whether it is taking a positive turn. Do people vote for an Independent Liberal candidate because they believe in the Liberal Party as an effective instrument of government? Or because to do so is the only way of taking a slap at the Government? And what would happen if an Independent Liberal contested a by-election in a Labour seat? There are those who are talking of a Liberal revival. Certainly nothing would be better for British politics than the re-emergence of a party of the quality of the pre-1914 Liberals. But it still looks rather like wishful thinking.

Industry and Research

As in the last war, the compelling need for new and better instruments of war has given a powerful stimulus to research and, significantly, has brought a widespread realisation that the future of Great Britain as a great industrial power depends, in no small measure, on its ability to remain in the forefront in fundamental and applied research. This realisation is reflected in the many reports on the future of research that have recently been issued by scientific and industrial organisations, and in the plea of the deputation from the Parliamentary Scientific Committee, received by Mr Attlee on December 15th, for more direct encouraging and research. In fundamental research British scientists have been second to none, but its extension will involve a substantial increase in expenditure at universities after the war; in asking for a grant of £1,000,000 to enable universities to extend their research and training facilities, Mr E. W. Salt, chairman of the PSC, was certainly not aiming too high. Moreover, if highly trained and qualified scientists are to be attracted and retained in sufficient numbers by universities, and encouraged to concentrate on fundamental research, they should be provided with incomes more comparable than at present with those they could obtain in industry. The scope of applied research in industry, too, should be substantially enlarged. At present research is carried on independently by individual firms as well as—since 1917—collectively by industrial research associations financed, apart from subscriptions from members, by grants from the Department of Scientific and Industrial Research created by Order-in-Council in July, 1915. Of the two, the first is probably the more important, but the scale of expenditure on both, though increasing, has been lagging behind practice in many other countries. According to a sample

inquiry carried out by the industrial research committee of the Federation of British Industries, 422 firms spent £1,736,000 on research in 1930 and 566 devoted £5,442,000 to this purpose in 1938. Expenditure on collective research has also shown an increase. In 1930, 18 research associations obtained £162,000 from subscriptions and a grant of £93,000 from the DSIR; in 1938, 22 associations received £362,000 in subscriptions and £177,000 in grants, and in 1941 they secured £368,000 and £192,000 in subscriptions and grants. One example of the growing realisation of the need for more collective research is the research budget of the British Coal Utilisation Research Association, one of the grant-aided associations; in 1938 this association spent £25,000, but during the five years 1943-47 it will have at its disposal £1,000,000, or £200,000 a year. Another example is the post-war plan for the International Tin Research and Development Council proposed by Mr John Ireland, its director. The Government could encourage both independent and collective research in industry by treating all legitimate expenditure as cost items in income-tax assessments. Sir John Anderson informed the deputation from the PSC that he would welcome concrete recommendations before the Budget about the effect of taxation on industrial research. But an intensification of research, though vital, is not everything. "To be first in the field of application," as the industrial research committee of the FBI put it, "is of even greater advantage to a country than to have been the birthplace of the discovery."

The Future of Newfoundland

The history of Newfoundland in the last ten years should be an object lesson to the Colonial Office. By the Newfoundland Act of 1933 the oldest Colony had its Dominion status taken away and its constitution suspended, and was placed under the government of a Commission, with the Governor as chairman, who is responsible to the Secretary of State for the Dominions. The main reason for the change was economic. In the words of Mr Emrys-Evans, Under-Secretary of State, to the House of Commons on December 2nd,

The island was in imminent danger of financial collapse . . . poverty and distress were widespread, and unemployment was rife. The condition of the people was pitiful. . . .

It was consequently laid down in the schedule to the Newfoundland Act that as soon as the island was again self-supporting and its difficulties were overcome, responsible government, on the request of the people of Newfoundland, would be restored. Since the war, prosperity has apparently been achieved and Newfoundland is now in the position of lending money, free of interest, to the Imperial Government. Yet it is clear that the prosperity has largely been brought about by wartime conditions—chiefly by the expenditure on the naval and air bases—and all three members of the Parliamentary Mission to Newfoundland, who spoke in last week's debate on the island, are agreed that there must be considerably more reconstruction and development, and expenditure from Imperial funds, before it can really be called self-supporting. They spoke of a ten-year expenditure on development of £16 to £20 million. But development in itself is not enough. The other condition for the restoration of self-government is that the Newfoundlanders themselves should request it, and what is perhaps more disturbing than any other aspect of the island's present condition is that most of the people seem to be completely apathetic about their political future. The only thing on which they appear to have an opinion is that they do not wish to return to the corrupt and inefficient Governments of the period before 1933. But public opinion has hardly a chance of forming, much less making itself heard, because of such practical difficulties, mentioned by Mr Ammon, one of the Parliamentary Mission, as the lack of adequate communications, which cuts the people in different parts of the island off from each other. The development of local government, therefore, which the Government's recent statement of policy proposed, is as urgent and necessary as is economic development. Those who regard development and welfare in the colonial empire as an end in itself should learn from the history of Newfoundland in the last ten years that it is not enough. As the Parliamentary Mission found, the Commission of Government has done a great deal of useful work—it has started hospitals, introduced compulsory education, established co-operative societies and so on. But it has made the big mistake of not associating the people with its work—or even trying to—and the present political apathy of the islanders is a good

illustration of how development here, and elsewhere in the Empire, should not be carried out.

A Colonial Dual System

On the Christmas adjournment, a short debate took place in the House of Commons on Kenya. It would be a pity, as Colonel Stanley emphasised in his reply, if the short and hurried character of the debate gave the impression that Parliament could not spare more time for the affairs of East Africa. The reason why the subject was raised at all was that recent events in Kenya have aroused grave misgivings, not only among the Labour party which asked for the debate, but among all who have the interests of the colonies at heart. First of all, there was the conscription of natives last year to work on European farms and even on European tea and coffee plantations. This was followed almost immediately by a bad food shortage all over the country but particularly in the native reserves, where cases of starvation occurred. The immediate cause of the shortage seems to have been the failure of the rains; but the evidence given before the Food Commission brought to light other reasons as well, of which the African witnesses tended naturally to concentrate on the absence of the young men through conscription and on the low price for African maize—the guaranteed price, given to stimulate production for the Middle East, applied to European grown maize only. The result of the food shortage was that conscription of labour was suspended for a time, and is now only applied for the production of sisal, pyrethrum, rubber and essential foodstuffs not including tea or coffee. But in giving this information to the House, and emphasising how much he and the Kenya Government disliked the policy of forced labour, Colonel Stanley did not explain why it has not been possible to secure the necessary labour by voluntary means—or whether any attempt had been made to remove the cause of the African's unwillingness to work on European farms.

The third reason for misgiving about the future of Kenya is that, on top of all the evidence that the European settlers have been able to strengthen their own position during the war at the expense of the Africans, come reports that they are now pressing forward plans for increased European settlement after the war—and for European read British. In the debate, Colonel Stanley stated that there is no new development in regard to white settlement in Kenya, apart from the Settlement Committee's proposals in 1938 to settle a few hundreds over a period of ten years, which were recently reaffirmed by the Kenya Government. This is a reassuring contradiction of the assertion of Major Cavendish-Bentinck, a prominent settler and chairman of the New Settlement Section of the Agricultural Production and Settlement Board, that

a carefully conceived settlement scheme does in fact exist, and has been accepted both by the Government and by the Secretary of State for the Colonies.

He and the others are not thinking in terms of a modest few hundreds. The situation in Kenya needs careful watching if the dual system, which has given subsidies and privileges to Europeans—but has yielded no returns to the colony as a whole—is not to be perpetuated and strengthened.

The Swedes Protest Again

The Swedish Government has not been content to let Ribbentrop's "mind your own business" retort to stand. They have renewed their protest over the deportation of Norwegian students to Germany and stated bluntly that if no notice were taken of their protest, a "serious deterioration" might occur in their relations with Germany. Some sections of the Swedish press have criticised the Government for not stating more clearly in what this deterioration would consist. The attitude of the general public is best demonstrated by Gothenburg University, which has decided to suspend its scientific relations with all German universities. The Swedish authorities would certainly have popular support if they threatened some form of reprisals. They are, of course, in a position to inflict serious embarrassment on the German war economy. Any final interruption of the flow of Swedish ore to Germany would drastically complicate the position of the German war economy. Equally, however, the Swedes depend upon German imports to keep

Important Notice to our Sherry Customers

FINDLATER'S FINO, well-known to Sherry drinkers all over the World, will in future be known as

FINDLATER'S DRY FLY SHERRY

The reason: Findlater's Fino cannot be registered and protected from imitations under that name. FINDLATER'S DRY FLY is registered, ensuring protection for our customers throughout the World.

FINDLATER, MACKIE TODD & CO. LTD.
Wine Merchants to H.M. the King 92 Wigmore Street, W.1



their industries working. In a sense, the diplomatic notes and counter notes are a trial of strength. Sweden can threaten to cut Germany's economic lifeline. Germany can threaten the same, with the risk of invasion added. The result so far suggests that Sweden is for the time being in a stronger position. Trade talks between the two countries are continuing and the Germans have suspended the deportation of Norwegian students.

Property and Incomes

A statement by Sir William Beveridge in a recent speech that "80 per cent of the private property of the country is owned by 7 per cent of the population" has attracted a certain amount of attention. It may be of interest to put such facts as are available on record. The most complete estimates of the distribution of property in Great Britain are those published by Mr H. Campion shortly before the war.* Mr Campion's definition of property is a wide one, including land, houses and buildings, the capital of industry, transport, commerce, finance and agriculture, railways, British and foreign government securities, other overseas investments, furniture and moveable property. The total of private property in 1936 is estimated at between £15,853 and £17,548 million. Of this total, an amount estimated at between £13,604 and £14,613 million—that is, between 83.3 and 85.8 per cent of the total—was held by between 1,727,000 and 1,874,000 persons, each of whom held over £1,000, and these persons were between 6.8 and 7.4 per cent of the total number of persons over the age of 25. These estimates are in close agreement with Sir William Beveridge's rounder figures. That 84.5 per cent of the private property of the country should be held by 7.1 per cent of the adult persons (these figures are the

* "Public and Private Property in Great Britain." By H. Campion. Oxford University Press. 1939.

middle of the range of estimates) will be a surprise to many people. It will be still more of a surprise to learn that it is necessary to go as low as holdings of £1,000 to include even as much as 7.1 per cent of the persons. Those holding over £10,000, who are 1.0 per cent of the persons, own 55.8 per cent of the private property. Mr Campion estimates that the total value of public property in Great Britain in 1932-34 (excluding the value of roads, armaments and securities held by local authorities) was between £2,455 and £3,325 million.

The distribution of property is not, of course, the same thing as the distribution of incomes. In incomes, though there is great inequality, it is not so severe as in property. The Budget White Paper of last April gave figures for the distribution of incomes in different categories of size. Unfortunately, it did not give an estimate of the total number of incomes, but only of those in excess of £250 a year. From figures given in the Government Actuary's Memorandum on the Beveridge Report it is possible to estimate that the total number of incomes in the middle of 1944 will be 27 million (married couples counting as one). If this figure be applied to the income statistics of 1941-42 (the error is not likely to be large), those persons with incomes (before tax) of £500 a year or over were 5½ per cent of the total number of incomes and enjoyed 24.8 per cent of the total of individual incomes before tax. To get 1,800,000 persons (the number who owned 84.5 per cent of the private property of the country in 1936) it would be necessary to go down to a little above £450 a year, and these persons would have something like 28 per cent of the total of individual gross incomes. As a rough statement, therefore—slightly less rough than Sir William Beveridge's—it can be said that 1,800,000 persons, who are 7 per cent of the adult persons in the country, own 85 per cent of the private property and draw 28 per cent of the individual incomes of the country.

AMERICAN SURVEY

Labour-Management Councils

(From a Correspondent in Massachusetts)

BOSTON, November.

BOSTON has just seen an exhibition, the first of its kind, of the work of the Labour-Management Councils, which were devised, as in England, to stimulate production in war plants. These councils have been an important factor in the production record achieved in United States plants since Pearl Harbour. There are now over 3,000 of them, covering plants employing more than 6,000,000 persons. More than a third of these have been established in the last four months (July-November), a period that has seen the council movement rapidly accelerated by the momentum of success of the early councils.

More than 1,000,000 workers have contributed suggestions, through their plant councils, for improving production, and more than 1,000 of these have been of enough value to receive government awards. Some of the most interesting were shown at the Boston exhibition, although a number are military secrets. This one aspect of the work of the councils testifies eloquently to the inventive capacity and the instinct for economy and efficiency of the American factory worker, when he is encouraged to think in terms of the better performance of his own job. The suggestions displayed are largely mechanical, for the saving of time or the conserving of materials, increasing the life or performance of tools, removing bottlenecks in the flow of products. But it is likely that the larger effect of these councils has come in their attack upon the human factors in industry through efforts to give consideration to the comfort, health and morale of workers. Councils generally seek to find the causes of excessive absenteeism and high turnover of labour and to correct them. This leads them into problems of adequate transportation of workers, securing suitable shopping hours at local stores, and other community situations such

as housing, restaurant facilities, food allowances and opportunities for women workers to leave small children under supervision. The efforts of the councils in these directions have been uneven. But many have corrected high absenteeism by increasing opportunities for women to shop at convenient hours and by making more satisfactory transportation arrangements. Some councils supervise the canteen and restaurant facilities in their plants to insure good food and clean quarters. Many have nutrition committees that seek to suggest more nutritious lunch-box meals for workers. But little has been done in American plants to have the systematic service of adequate meals in plants, that is common in England.

A Labour-Management Council is composed of equal representation of management and employees who choose their members by their own methods. Both labour and industry have endorsed the council plan, which was instituted at the request of Mr Donald Nelson, chairman of the War Production Board, in March, 1942, after President Roosevelt announced his goal for plane, tank and ship production for 1942. At first the councils spread slowly and management was cool to the idea of consulting its labour about production methods. But Mr Nelson made it plain that the councils were for the sole purpose of securing maximum output, and that they were not to put labour into management or management into labour. They have nevertheless introduced into many plants the first consultations of management and workers on problems of the shop. Many managements have kept the scope of the councils quite narrowly limited to avoid any strictly labour discussions. Collective bargaining and grievances are, by definition, outside the scope of the councils, which may exist in shops that are either union or non-union. But many councils have

dealt with questions which, if not specifically grievances, have in their solution avoided grievances, and many others have dealt with questions of incentives, including adequacy of bonuses to stimulate production.

The councils have recently spread even in conservatively managed New England plants, where there are now 250 councils in shops employing nearly 500,000. The council is a device of especial need in the very large plant, where management cannot know the shop personnel. But very successful councils are operated in plants with as few as 100 workers. Conceived as a war production measure, the council has won its way in many an industry to a point where management hopes to retain it as a permanent factor in improved *esprit de corps*. Doubtless some managements hope by this means to avoid unionisation of their employees. It would be a mistake to think of these councils as having in most cases effected any radical modification of management or any extensive democratisation of plant operation. They are perhaps primarily a means of bringing to the attention of management the suggestions and attitude of the workers on problems that are creating production difficulties, and of bringing stimulation for greater effort to the workers through a channel more acceptable to them than direct management exhortation.

Fire prevention and safety campaigns have been quite typical council activities that have had high success. Many councils operate recreation programmes for the employees. The most obvious activity is just keeping before the employees a constant appeal for rapid output; there is no question of its effect. The quite American interest in breaking records and in competing with other departments for highest performance score is exploited with effect. And dramatics are not overlooked. The New England Shipbuilding Corporation of Portland, Maine, has erected a large ornamental plaque with a scroll of the war dead from that plant under the heading: "These men have earned the right to be absent." The same plant introduced religious services on Sundays in the yards, after a study of absenteeism showed that the interest of the workers in a Catholic community in attending church services was largely responsible for heavy absenteeism on Sundays.

All councils instal "Suggestion Boxes" in the various departments, where employees can drop suggestions through a letter slot. Some carry this a step farther and instal also a "Gripe Box," which invites unsigned complaints of conditions which make work unnecessarily difficult, slow, inefficient or unpleasant. Typically, councils report that they "have brought the men closer together and increased output." Some have tackled such central problems as streamlining the assembly by installing a line system. In one case this involved a change in the top personnel of assembly. Improvement in ventilation and rearrangement of machines to avoid over-congestion in work rooms, introduction of hand trucks to avoid excessive and slow hand work are characteristic council changes.

Quite typical American advertising appeal methods are commonly used by the councils to win the interest of the workers. The poster is the most conspicuous means used. Posters in the shops exhort men to conserve materials, to follow safety cautions, to avoid absence, to back up the fighting men, to "share the ride," to buy war bonds, to join in scrap salvage. The plant newspaper and the plant slogan extend the appeal of the posters. A good deal of graphic art goes into these posters, and personal recognition of individual achievement is featured in the plant newspaper, in awards, and in banquets and trips to Washington for those who have contributed especially meritorious suggestions or made outstanding work records. All the councils in the country are knit together in their programme by a paper, *Labour-Management Council News*, published by the War Production Board, which records their achievements, features Government awards to their plants and members and emphasises the production campaigns and goals sought. The War Production Board claims that plants with councils have won twice their proportionate share of Army and Navy "E" awards for excellence in production. Thirty-four per cent of the plants with councils in New England have won these "E" awards, even though many of the councils are quite recent.

The recent growth of the council movement has come under the spurring leadership of Theodore Quinn, a quite remarkable product of American industry. He made a phenomenal record as a salesman of electrical equipment and became the youngest vice-president in the history of the important General Electric Company. Son of an Irish labour leader, Mr Quinn has a warm appreciation of the human factor in industry; he has the confidence of labour

and at the same time is recognised by industrialists as a highly successful business executive.

That this strong exponent of human engineering in industry is a partner of Mr Lou R. Maxon, the extremely reactionary advertising man who flounced out of the management of the Office of Price Administration with a flamboyant attack upon the whole system of wartime price control as a menace to the American way of life, is a striking instance of the axiom that you can't judge an American business man by the company he keeps.

American Notes

The Home Front

President Roosevelt has returned from his five weeks' absence to find that conditions have deteriorated steadily on the home front. It is true that Congress has departed for its Christmas recess without carrying to a finish the innumerable attacks upon Administration domestic policy which have marked the past month. There may yet be time for the President to rally his forces, but it is getting very short. With the strike vote of the five operating railway Brotherhoods the attack of the unions upon the "Little Steel" formula is entering its final phase. The intellectual contortions needed to solve one hard case—that of the coal miners—might be explained away, but if the railway workers drive an equally hard bargain, it is difficult to see how even the Administration can insist that the formula has been maintained. Mr Davis, head of the War Labor Board, has urged that the real meaning of the wage demands is the belief that Congress, in its attack upon subsidies, has deserted its earlier anti-inflationary position. In the main this is certainly true, but it is probably too late to convince the unions of a Congressional change of heart even if this should occur at the eleventh hour—of which there are no signs. The Senate has not yet followed the House in prohibiting the payment of subsidies, so that they may continue until February 17th, but the "compromises" now being explored lean over backward to conciliate the farm bloc. Even so Senator Taft's proposal to sacrifice the meat, milk, and butter subsidies, in order to retain a \$600 million annual price support programme, has not won farm bloc agreement. The lobby does not object to all payments to farmers, only to those which effectively keep down costs to the consumer. But it is these on which the Administration's case with labour rests. There are other threats against the price-control machinery. The House is considering amendments to deprive the OPA of its control over the price of coal and food, as it has already done in the case of oil. The Senate has as yet made no decision on the rehabilitation of the shrunken tax bill which was the answer of the House to the Treasury's appeal for something like a \$10 billion increase in revenue. Mr Roosevelt is often represented as willing to accept the defeat of his programmes at home if that is the price of success for his foreign policy. The bill looks like being presented. He will not submit without a struggle, and once more Congress may prove itself unwilling to accept final responsibility for inflation. But the atmosphere of an election year, and the accumulated aggravations in the relations between President and Congress, are not propitious for a settlement.

Working on the Railroad

Demands for wage increases have been made by both operating and non-operating railway workers, but for the moment it is only the five operating unions that have threatened to call a "progressive" strike on December 30 if a satisfactory agreement is not reached. The strike vote of the 350,000 members reached the impressive proportion of 97.7 per cent, and according to union officials reflected "deep dissatisfaction with the economic management of the war." It was an historic decision, for not since 1916 have the powerful—and peaceable—brotherhoods taken strike action. The unions originally requested a \$3 a day increase, and the 4 cents an hour award they won was declared inadequate. The dispute has been referred to the White House and at first it was believed that sufficient materials for a compromise existed in over-time pay (railway workers have not ordinarily received payment for over-time) and in holidays with pay, in addition to the 4 cents an hour which the Stabilisation authorities declared was all that could be allowed. In cash, the payment for over-time would double the 4 cent increase, but the latest news is that the

unions have rejected the President's plan and are preparing counter-proposals. It is plain that the strike, with its disastrous effects upon civilian as well as military supplies, must be avoided at all costs. The country's transport system is already working under an almost intolerable physical strain. The railways alone are handling a volume of freight 80 per cent greater than they moved in 1918, and a passenger load almost double that of 1918. Rail revenue ton-miles for 1943 are estimated at 13 per cent above 1942, passenger miles at 58 per cent over 1942. The burden is still increasing. The Truman Committee's report on transportation, which has just been published, while paying high tribute to the work of management, labour, and the Office of Defence Transportation, insists that if a general crisis is to be avoided, travel must be cut drastically and, more important, additional equipment must be provided by the readjustment of priorities. The shortage of skilled labour is equally pressing. It was partly in answer to this problem that the President's Committee on Fair Employment Practices—established to end racial discrimination—ordered a number of Southern railroads to cease agreements with their unions which provide for a continuous lowering of the numbers of negroes employed and prevent their promotion into skilled jobs. Similar orders have gone out to Pacific Coast employers. The railroads, however, have insisted that as Southern society is now run, the order is no answer to their problem, but would, through the increase in racial antagonism, completely dislocate the service they are now able to provide. The prejudice, primarily, is not that of management, but of the negroes' fellow workers. Logically, the case for a wartime end to discrimination is overwhelming, but it is a question whether what the scarcity of labour has been unable to effect can be brought about, peaceably, by executive order.

Future of the Contracts

If the war should end to-day there would be outstanding more than \$75 billions worth of war contracts on which deliveries had not yet been made. There is an understandable interest and anxiety in business circles about the methods by which these contracts will be settled, and particularly on the question of promptness of payment. The aeroplane industry, for instance, insists it is "broke on paper", and gloomily prophesies financial collapse unless its contracts are speedily liquidated. Negotiations after the last war dragged on to such an extent that at the beginning of this war there were some manufacturers who were still government creditors on account of last war contracts. The concern is not that of business alone. There is obviously a strong public interest in seeing that contract obligations are paid off promptly, as well as equitably, so that business can set about its job of conversion to peace-time production, and employment can be maintained. As Mr Bell, Under-Secretary of the Treasury, said last week:

A dollar paid out during the reconversion period may in terms of national well-being be worth several dollars paid out a year or so later. It is far more important, therefore, that the settlements be prompt than that they be accurate to the last dollar according to some accounting concept which may itself be open to question.

Mr Bell was referring to the insistence of the Comptroller-General that the General Accounting Office must have the final say on contract settlements. It has been the Comptroller's contention that if terminations are left to the contracting agencies—and particularly to the Army—it will not be a question of accuracy to the last dollar, but "improper payments amounting perhaps to millions of dollars." He has charged such laxness in military auditing procedures that contractors were allowed to claim as war costs such items as spare false teeth, vitamin pills, and juke boxes. The weight of authority seems to be against the Comptroller, however, although no decision has as yet been reached. Both the Treasury and the Federal Reserve Board have supported the need for speed of settlement. The former is prepared for the inevitable heavy outflow of funds in the first few months after the war. One aspect which is receiving particular attention in the Senate is the problem of the small business man and the sub-contractor, who probably will find himself worse off than the large prime contractor, and who, without special procedures, would have to wait until the prime contracts had been settled. So far two suggestions have been made: one that would use the Smaller War Plants Corporation as a source of loans to small manufacturers with unsettled war contracts, the other Senator Murray's Bill to make mandatory

within 30 days a loan of 75 per cent of the amount claimed by the contractor with the provision that if the claim were later found too high, the excess would be returned with 6 per cent interest.

Sixth Senator

The wit who christened Senator Butler of Nebraska the "sixth senator" was somewhat less than fair to the five who had gone before. The purpose of Senator Butler's expedition into darkest Latin America was to discredit the Administration by charges of wholesale boondoggling under the mantle of the good-neighbour policy (Boondoggling is the Lewis Carroll word invented by the enemies of the New Deal back in the early thirties to ridicule some of the less-considered schemes to keep the unemployed busy.) The report which emerged alleged expenditures of \$6 billion in furtherance of good neighbourliness; in passing, it also cast doubts upon the democratic integrity of some of the Latin American Republics. Senator Butler has discovered to his sorrow that a line of criticism which evokes laughter and applause in home politics is considered to be in poor taste south of the border. Secretary Hull launched a full-scale attack, calling the report full of "inaccuracies, fallacies, and misrepresentations." Senator McKellar, in a long speech on the floor of the Senate, demolished the Senator's figures. Instead of \$6 billion, the correct total is \$324 million, and it has been mainly for military purposes. The expansiveness of Senator Butler's calculations is illustrated by his inclusion in his total of expenditures of the cost of operation of the Panama Canal, and the aid to Puerto Rico, which, as Senator McKellar reminded him, is a United States territory. It was Senator McKellar's contention that the Butler expedition was made in search of material for the elections. With the revelation that Senator Butler and his companions—two journalists—went by air, and in some cases spent only a few hours in a country, the Butler report stands thoroughly debunked. Some of the mud may stick, but the episode suggests that it is not always good political tactics to impugn the faith of America's Allies. There is only one lion whose tail can be safely twisted in US politics.

Revere Rides Again

The latest instalment of Colonel McCormick's adventures, as told by himself, describes how the Colonel assisted the US General Staff to foil a dastardly plot by the British to invade the United States after the last war. The General Staff, according to the Colonel, "feared that an army of 300,000 regular troops, then in England, would be landed in Canada and marched against this country." But though America was totally disarmed, the Colonel was ware and waking. The knowledge that his superb military genius had been recruited for the occasion by the General Staff was sufficient to make London think again, and Detroit was saved from a fate worse than Ford. Revere rode, twenty years after, and no Redcoats came. Superman has his prototype. It is a pleasant failing of eminent men, when they get on in life, to recall triumphs in which they never participated. When George IV was advanced in years he frequently entertained the Duke of Wellington with vivid narrations of his heroic conduct on the field of Waterloo. There are entrancing evenings ahead for the US General Staff when the fine old warrior of Chicago sits with them by the fireside and reminds them how he won the battle of Detroit. They will probably echo the Duke's grim comment, "I have frequently heard your Majesty say so."

Shorter Note

In order to improve the production of essential civilian goods the Office of War Mobilisation has announced a policy of relaxation of price ceilings which hinder production. The intention is to equalise profit margins for all products and price lines of the individual consumers' goods industries. Presumably this action is being taken, under proper safeguard, to remedy the decline in the output of lower-priced goods, which manufacturers have been abandoning for more remunerative lines. Producers with exceptionally high profits will be required to produce needed consumers' goods and sell them at cost.

THE WORLD OVERSEAS

Canada After the War

(From Our Ottawa Correspondent)

November 15th

THE sober warning of leaders that the war is not yet won does not appear to have appreciably halted the flow of Canadian post-war ideas and plans. It is rarely one picks up a newspaper nowadays without learning that a municipal works commissioner has tabled a programme of projects to provide post-war employment; that a provincial government has set aside a block of land for settling returned soldiers; that a new national radio series on the post-war world is about to begin; or that a political leader has listed 14, or 18, or even 30 points as his platform for the rehabilitation of Canadian agriculture or industry or some other branch of our national life. Unquestionably, growing attention is being paid to the post-war world. Some of it represents merely selfish haste to get ring-side seats in the new arena of business opportunities; to the extent that key personnel may be slipping quietly away from war jobs to resume normal occupations, there may even be some impairment of the current war effort. But for the most part the current attention to post-war problems can be justified by the fear that peace may otherwise catch the Canadian economy as unprepared as it was for war four years ago. The Government itself has given mild blessing to a soundly-proportioned shift of emphasis from the prosecution of the war to the world around the corner.

The international framework in which Canada after the war must work is still far too obscure to permit any guess about the fortunes of this Dominion when peace returns, but some domestic conditions can be forecast with reasonable accuracy, and they include some reassuring factors.

Canada will emerge from the war one of the great industrial nations. She will be able to produce 50 per cent more iron and steel, five times as much aluminium, quantities of magnesium, tungsten, mercury and chromium. Her hydro-electric power capacity will be 20 per cent higher. She will have great shipyards, aeroplane factories, explosives and chemical plants, a synthetic rubber plant, armament factories, machine tool industries, instrument laboratories which were not here before the war. About \$1 billion has been spent in four years in addition to plant and equipment. There is a new industrial army of skilled men and women workers. A new tradition and a rich experience have been acquired.

Some of the production will cease even before hostilities do, as being neither necessary nor economic in a peaceful world of international competition; but when all allowances for strictly war production have been made, these four years have changed the face of Canadian industry in a permanent way. Canada after the war will manufacture within its own borders a larger percentage of its manufactured needs than it did. Also, its exports of finished products will rise in relation to its exports of raw materials.

Higher Farm Incomes

The war has given Canadian farmers a financial lift, and they will go out of the war in a stronger position than they entered it. The farm income of Canada is currently running 25 per cent higher than in 1942 (despite smaller harvests), and the 1942 income was the highest in history, in dollars. The farm debt problem, a most acute concern in the decade before the war, has been substantially alleviated. Farm economists report that prudent agriculturists are using their current surpluses to wipe out farm indebtedness in a big way.

A similar process has been at work in municipal and provincial finance. These governments have been sharing in the greatly enhanced national income, and their obligations have not risen proportionately. Social welfare measures

(especially unemployment relief, which has about disappeared) are costing much less in some parts. Several provinces were desperately seeking to stave off default in the years before the war, and one province (Alberta) actually took the plunge. The new state of affairs is illustrated by the substantial surpluses being piled up by Alberta, which, while it permits new maturing issues to default, is negotiating with financial interests the refunding and consolidation of its defaulted loans. It is a fair prediction that the provincial governments will enter the post-war world in good fiscal shape, though here, as with the farm debts, the war will have temporarily relieved their long-term problem rather than done anything to solve it.

Effects of Financial Policy

As compared with the last war, the Dominion Government has managed its taxation and price control policies in an impressive fashion. Last time, we raised only 20 per cent of the cost of the war at the time from taxation: this time 50 per cent. Last time, most of the war loans were floated at 5½ per cent and were issued tax free; this time, hundreds of millions have been borrowed at less than 1 per cent and the highest coupon rate has been 3 per cent. Last time, the cost of living rose 60 per cent in the first four years of war; this time 18 per cent. In effect, the last war was financed by skimming off, from the large and concentrated pools of war profits, sufficient loans to prosecute the war, paying 5½ per cent and offering tax-exemption as a special inducement. The pools had been created by an inflationary process which reduced real wages and swelled profits. By the time the war was over last time, a new concentration of wealth had been effected, and the high interest rate, coupled with the tax-exempt feature, confronted the Dominion Finance Ministers for years with a very awkward situation. The new war loans had to be serviced by a combination of consumer taxes on sales and imports. This time, though the gross sums are much larger, the loans are far more widely distributed, the average cost is much lower, and the tax-collecting machinery has been so improved and refined that the servicing of present loans should be possible without an undue burden on the country's industry.

Canada will have a cushion against post-war unemployment which it did not have after the last war. The unemployment insurance fund already stands at \$150 million, although it was started after the outbreak of the war. The compulsory savings features of the income tax, the sums withheld from temporary civil servants' salaries until after the war, and the very widely held war savings certificates and war loans will in Canada, as elsewhere, help to tide individuals over the period of adjustment.

Without a yardstick by which to measure Canada's external markets after the war, the gravity of the chaotic

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.

international scene as bearing upon Canadian conditions cannot be appraised. The favourable features outlined above may do little to weigh against adverse world factors. But internally the war appears to have done Canada little irreparable damage, and that mainly in the tragic loss, common to all countries, of some of the fine flower of its manhood. At one time a breach between Quebec and the rest of the country as serious as that of 1917 seemed to be growing up, and the degree of misunderstanding between parts of the Canadian people is still far more serious than most outsiders would guess. So far, however, the situation is not beyond redemption, though compulsory service for overseas action would have tested the Canadian fabric to the utmost.

Peace will compel us to face constitutional reforms. War, by converting Canada overnight from a confederation to a unitary state, drove the problem underground. Once peace returns it will face us again, almost immediately. The controls, which all agree must be maintained until consumer production begins to match available purchasing power, would be *ultra vires* the Dominion Government in a state of peace. Nearly all the impressive programmes of rehabilitation promised by the political parties envisage Dominion control, and at present large sections of necessary power are exclusively vested in the provincial governments. A show-down and some resolute statesmanship on this problem cannot well be avoided.

Family Allowances in Eire

[FROM OUR DUBLIN CORRESPONDENT]

December 6th

THE Government has introduced its long-expected scheme of family allowances. It is proposed that a payment of 2s. 6d. a week should be made in respect of every child, after the first two children, under 16 years of age living in the same household, though not necessarily belonging to the same family. An assessment of the number of children ranking for allowances will be made every six months, and the allowance will be paid weekly on that basis until a new assessment is made. The country is to be divided into three regional areas for the administration of the scheme. Allowances will be made to every family with the requisite number of children, irrespective of income. It is calculated that 150,000 families will benefit and that the number of children qualifying for allowance will be 340,000.

One noteworthy feature of the scheme is the absence of any means test. The receipt of the allowance will, therefore, not be tainted by any suggestion of indigence or pauperism and the cost of administration will be reduced. Families in the higher income groups will not, however, derive any net advantage because the allowances for children in the income tax code will be correspondingly reduced. The allowances will be provided by the state out of its general revenue. Alternative methods of providing the allowances were rejected after full consideration of their merits. Equalisation funds are distasteful to the trade unions as well as being limited in their scope to persons in regular employment. Contributory schemes are, likewise, limited to wage earners and would not relieve the large class of small farmers who live near the poverty line. The allowances are justified by the Government entirely on the ground that many family incomes are insufficient to bring up a large family. They are to be regarded as a social service and are additional to the existing children's allowances paid to the unemployed and to pensioners. No effect on the marriage rate or the birth rate is intended or expected.

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.

Paying for It

There is no reason to believe that the allowances will add anything to the national income, and they must, therefore, be regarded as a redistribution in favour of large families at the expense of the taxpayer. In view of the level of taxation in Eire, increased taxation requires a very strong justification. The Government is prepared to defend additional taxation for this purpose amounting to £2,250,000 a year, which represents about 25 per cent of the present expenditure on social services. It is this figure that limits the amount of the allowances. It has not yet been disclosed how this sum is to be raised, but, in order to demonstrate the narrow capacity of the country to undertake new expenditure, the Government spokesman in the Dail stated that, in order to raise this sum, it would be necessary to add a shilling to the present income tax rate of 7s. 6d., and substantially to increase indirect taxes on tobacco, tea, sugar and beer. It is not suggested that these increases will actually be made, but it is difficult to see how the necessary revenue will be obtained without imposing additional burdens on the poorer and larger families in the community, and thus neutralising to some extent the advantage of the allowances.

A Beveridge Comparison

The principal impression made by the debate in the Dail on the scheme is the difficulty of doing much to improve the lot of the poor in Eire unless the national income can be expanded. The age structure of the population, containing abnormally large numbers of children and old people, makes very expensive any social service designed to benefit the very young or the very old, while the absence of a rich class of surtax payers reduces the possibility of a net redistribution of income. Comparisons between the Irish scheme and the proposals contained in the Beveridge Report are not quite fair. Great Britain and Eire differ in many respects and, as the Government spokesman remarked, the Irish scheme is concrete and practicable, whereas the Beveridge proposals are still largely in the air. But, when full allowance is made for these considerations, it is difficult to resist comparing the extremely modest allowances that represent the utmost effort of the Irish Exchequer with the far higher allowances that form the basis of the discussion in Great Britain. The difference in the level of the social services in the two countries will inevitably influence the movement of Irish labour after the war.

Palestine's Inflation Problems

[FROM OUR JERUSALEM CORRESPONDENT]

November 17th

It was only late in the fourth year of the war, that an alarmed public opinion recognised the existence of a genuine inflation problem in Palestine, for up to the end of 1942 the traditional argument was still maintained that no such development could possibly take place in this country as long as the Palestine pound remained chained to sterling. As time went on, however, the inadequacy of the Government's price control measures became apparent; the influx of money, resulting from military orders, strategic works, and the troops stationed in the country, continued and even increased; and the purchasing power of money continued to drop. For over a year now bank deposits rise by some £P1.5-2 million, that is, 3-4 per cent of the total, every month, while the demand for credit remains almost stationary despite the pronounced downward trend of interest rates. During the twelve months ended August, 1943, the currency in circulation rose by over 50 per cent, to a level of £P31.8 million, against £P20.8 million in August, 1942, (and £P4.8 million in August, 1938), while the increase in the volume of the physical output may be estimated at perhaps 20 per cent. It is true that a not unsubstantial part of the notes is now hoarded, both in Palestine and in the adjacent countries, but this is counterbalanced by the increased velocity of circulation of the other part. Wholesale prices advanced by 33 per cent during the twelve months ended July, 1943, according to the official index (based on January, 1938), and the Wages Committee cost-of-living index reached 243 in August, against 197 in the previous year.

An almost universal extension of the system of cost-of-living allowances, inevitable though it has been for social reasons, is not by itself anything like a remedy, and under the prevailing circumstances it serves still further to intensify the inflationary pressure on prices. A standard allowance of 131 per cent (on the "basic" wage of £P10.5 per month) is now paid by industry, but many branches are paying additional bonuses too, and agricultural wages have increased by 200-300 per cent. Already Palestine producers find it, in some instances, difficult to compete with overseas countries, and as peace draws nearer this problem must grow in importance. The recovery of the purchasing power of the Palestinian pound, in accordance with its nominal parity with the pound sterling, is, therefore, very important for Palestine's economy and a prerequisite of its future stability. For it should not be forgotten, quite apart from other considerations, that Palestine is now a creditor country with a positive balance of some £P80 million, and it is this liquid reserve on which its ability to undertake reconstruction and further development will depend to a very great extent.

Up to now, however, these considerations have not exerted a decisive influence upon the Government's economic policy, although a reduction of prices is of direct interest for the Treasury, since allowances on the basis of the cost-of-living index have been extended to Government servants and employees. Real prices should not, however, be identified with the official index. According to Government figures, the prices of clothing and footwear increased by 26 per cent during the first eight months of 1943 (last year during the same period they decreased by 12 per cent), and prices of miscellaneous articles increased by 19 per cent, against no change last year, while the food index this year shows an advance of 18 per cent, against 22 per cent in 1942. The food index, however, should be taken with a grain of salt, for half of the prices on which it is based are maximum prices that are more or less fictitious. In fact, the over-charging of agricultural products is the main motive power behind the increase in the cost of living and one of the most important sources of inflationary purchasing power—

which is not yet even touched by taxation, for the collection of income tax is confined to the Jewish sector. This year, not even an attempt was made to enforce the Government monopoly of the cereal trade, and exorbitant prices are paid for grain (£P70 a ton for wheat, £P40 a ton for barley, and so on) and all the products dependent on it; in addition, peasants are receiving big issues of Government flour, so that they are enabled to put on the market the quantities they normally need for their own consumption. On the other hand, large sums have been allocated for the maintenance of the price of the "standard" flour, and another subsidy has been granted in order to reduce this price; but no particulars have been disclosed about this expenditure, in spite of the criticism to which it has been subject.

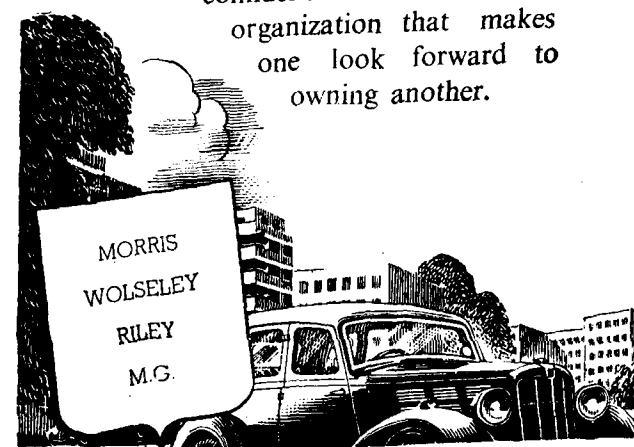
The existence of black markets for many commodities has become almost the normal thing, and quite recently another was added by the attempt to fix reduced maximum prices for vegetables, which, however, was carried out in such a clumsy manner that protests ensued even from municipal councils and consumers' organisations. That considerable shortages exist cannot be doubted. Responsible quarters maintain that Palestine is not receiving its fair share in the goods distributed by the Middle East Supply Centre. At least, there is no fair distribution within the country, and some of the black markets account for a considerable part of the total supply (for instance, in grain, meat, margarine, flour, newsprint, and so on), or even for the greater half of it (as in the case of eggs and potatoes), while the points rationing system is more or less fictitious beyond the boundaries of the Jewish municipalities. In recent months, small quantities of engineering goods, chemicals, &c., have been released at reduced prices, but passenger fares, postal fees, and some Government prices have been raised.

Gold Sales

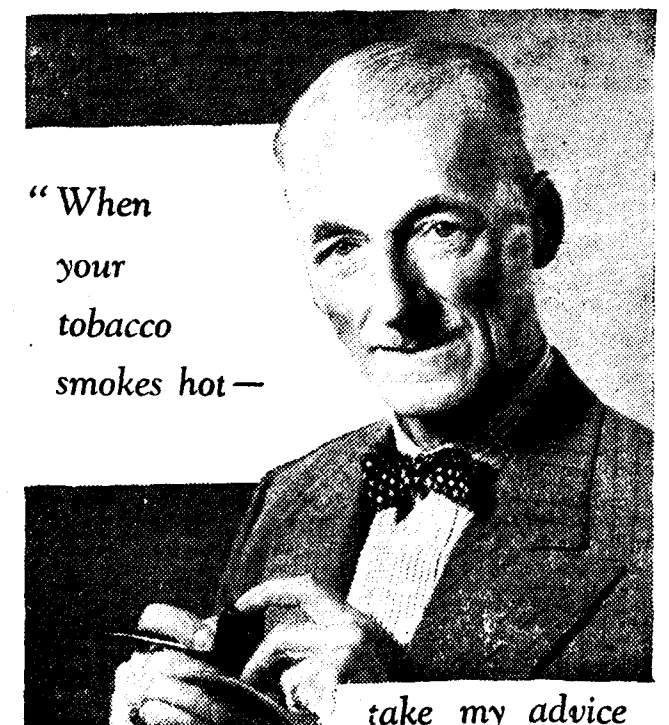
The official sale of gold specie and bullion was begun in order to skim off excessive purchasing power, but could not have much effect owing to the limited quantities put on the market; and the propaganda campaign launched in favour of Government saving bonds and certificates has hitherto

NUFFIELD

ONE'S almost forgotten what it was like to run a car. But one remembers that our Morris — and the people who serviced it — were trustworthy. And it's that confidence in the Nuffield organization that makes one look forward to owning another.



An announcement by THE NUFFIELD ORGANIZATION
A CORNERSTONE OF BRITAIN'S INDUSTRIAL STRUCTURE



take my advice
and cool it down with Grand Cut"

Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly

ISSUED BY GODFREY PHILLIPS LTD. IN THEIR 100th YEAR

met with but little success. The production of utility goods, especially in the textile industry, has, it is true, attained a substantial volume, but it is strongly felt that there still remains wide scope for further rationalisation and utilisation of local human and material resources. Whether this can be done depends, however, on effective measures being taken

against the deterioration of money and the social corruption connected with it, but as the Government looks like intensifying its policy of appeasing the landowners and the peasantry, there appears to be little hope of finding a way out of the impasse, and the air of discomfort and distrust is gaining ground.

Russia at War

The Third Winter

INDUSTRIAL reports for 1943 record the fulfilment of plans by Soviet war industries. In aircraft, tank, mortar, gun and munition factories output is said to be slightly ahead of schedule. Compared with output in 1942 the increases reported this year are not abnormally high. Expansion in the production of arms was limited by the supply of iron and steel. The increase in pig iron output between October, 1942, and October, 1943, is given as 28 per cent; and the increase in steel output was 18 per cent. These figures roughly indicate the room for expansion.

The outstanding fact in Russia's economic life during the past few months has been new demands for all sorts of raw materials and finished goods which have arisen from the needs of the liberated areas. In 1943 alone, no fewer than 350,000 square kilometres have been freed, most of it utterly devastated. In peacetime this area was inhabited by a population of 35 millions. How many people still live there is not known; but from all reports it seems that only a fraction of the pre-war population remains.

The restoration of these regions, particularly in the south, is of prime importance. The southern Ukraine was Russia's first base for iron, steel and coal. It possessed the densest network of railways in the whole country—39 kilometres of track per 1,000 square kilometres. The importance of the regions freed this year is shown by the fact that, taken together, they used to supply about 65 per cent of the country's winter wheat, 10 per cent of its summer wheat, 50 per cent of its maize and about 70 per cent of its sugar beet. In recent months their restoration has absorbed the attention of the Government almost as much as the fighting itself.

The degree of devastation differs, of course, from place to place. On the whole, reconstruction has so far not gone beyond the most essential services; and frequently it was not possible to restart even these without substantial help from outside, and only after some considerable time. Kharkov's water, electricity and tram services were not resumed until the end of November—three months after its final capture. Dnepropetrovsk, on the other hand, was one of the few happy exceptions. On the fifth day after its recapture this city was able to report not only the restoration of essential services, but also the resumption of work in a number of large factories—which suggests, of course, that its industries were, after all, working to some extent during the German occupation. In the Donbass a number of minor coal pits have begun work again; and now a big effort is being made to restore the larger collieries. In the great steel centre, Makeyevka, the first furnace has been restored. It will take much time before Stalingrad rises from its ashes; the workers of that heroic city are pledged to restart its tractor plant next May.

The Repair of Devastation

The needs of the freed areas have now created a new problem and made the industrial position more difficult. These requirements have to be set against the immediate requirements of the arms industries. On the other hand, rehabilitation of the freed areas is necessary for the war effort itself. Inevitably, however, claims overlap; uncontrolled, the conflict might become a scramble for materials and tools. This was seen at the All-Soviet Conference of Machine Tool Producers which took place in Moscow towards the end of November. The conference was called in order to break the "bottleneck" in machine tools due to the heavy demands of war industries and freed territories.

Before 1941 machine tool production was concentrated in the neighbourhood of the Donbass. In the short run, there is something like a vicious circle. The Government aims at restoring in part the machine tool production of the south; but to do this it must first provide the machine tools needed to put the half-destroyed plants in order. The State Committee for Defence has therefore decided to put

the Commissariat for Machine Tool Production on an equal footing with the Commissariat for Arms Production. This means that producers of machine tools will now have the same priority in their demand for materials and labour as producers of finished arms.

Spare Parts for Tractors

Another critical instance arises from the shortage of spare parts for tractors, which seriously affects the whole of Soviet agriculture, and especially farming in the freed territories. In the first days of December, *Pravda* attacked the Commissariat of Agriculture for having neglected to provide for the production and repair of spare parts. A few days later, on December 11th, the Commissar of Agriculture, M. Benediktov, was dismissed and made Vice-Commissar in the same department. The new Commissar of Agriculture is A. A. Andreyev, a member of the Politbureau, one of the small group of energetic Party leaders whom Stalin usually puts in charge of the most acutely threatened sectors of the "economic front." The problem of spare parts for tractors is now pushed to the fore with the greatest insistence: "Spare parts will decide the next sowing campaign and the next harvest." The production of spare parts has been made a first priority. "One hundred and seventy-two Moscow factories [reports *Pravda*] have been put on to the production of spare parts." The Commissariat in the country, has been ordered to produce agricultural machines in addition to its normal output. The same order has been issued to the Kirov works, Russia's greatest tank plant, which has been evacuated from Leningrad to Sverdlovsk in the Urals. The Commissar for Mortar Equipment has already been given a public warning because of his failure to fulfil the assignment. The directors of the famous Magnitogorsk works, the Commissar for the Timber Industry and the Commissar for the Rubber Industry have all been rebuked for failing to supply the materials needed. The bottleneck may be broken just in time to improve prospects for the next sowing and harvest. The episode illustrates strikingly the new pressure under which Russian industries are now working.

The labour position has not been very different. What has been taking place in recent weeks looks like a final comb-out of manpower. This comb-out has been reported in the press in the somewhat paradoxical form that this or that factory "has refused" eight or five hundred "additional workers." Previous comb-outs were very thorough indeed; and the latest has been made not so much for the Forces, though the Army still enrolls new reserves, as for work in the liberated territories. Acute shortage of labour has undoubtedly stimulated technical progress throughout industry. The replacement of men by machines and the introduction of the conveyor-belt system has been the main remedy. The press characterises 1943 as the year of the great conversion to the conveyor belt.

Books Received

- Studies in Economic Dynamics.* By M. Kalecki. (London) Allen and Unwin. 92 pages. 6s. net.
- My Travels Through Chad.* By P. O. Lapie. (London) John Murray. 198 pages. 10s. net.
- Parliamentary Representation.* By J. F. S. Ross. (London) Eyre and Spottiswoode. 245 pages. 10s. 6d. net.
- Earnings and Social Security in the United States.* By W. S. Woytinsky. (New York) Social Science Research Council. 260 pages. \$2.50.
- Future Education and Training for British Industry.* By T. J. Jones. (London) Harrap. 94 pages. 5s. net.
- The Sky's the Limit. The Story of Lord Beaverbrook at MAP.* By D. Farrer. (London) Hutchinson. 95 pages. 6s. net.

THE BUSINESS WORLD

A Railway Birthday

ON January 1st it will be 21 years since the numerous railway companies of Great Britain—they then numbered some 120—were grouped into four systems by the Railways Act of 1921. The occasion has been duly celebrated this week, but now that the candles of the birthday cake have been blown out, it may be appropriate to look back over the past and, what is far more difficult, to look ahead over the next 21 years.

One question that is inevitably being raised is whether the railway amalgamations were justified, that is, whether they benefited the community. It is not a question that can be answered categorically, and certainly not without taking account of the changes that have taken place in the national economy and in transport as a whole. As a broad generalisation, it may be said that the trend of general business activity has been rising, but that the expansion was mainly in the "lighter" trades and at the expense of the heavier trades. The broad trend has been reflected in the traffic in coal and of minerals and heavy merchandise; the volume of coal moved by rail declined from 209.2 million tons in 1924 to 188.1 million tons in the boom year of 1937, and that of minerals and heavy merchandise from 65.4 million tons to 58.7 million tons. Traffic in general merchandise also declined, from 60.9 million tons to 50.3 millions, and the number of passenger journeys fell from 1,247 millions to 907 millions. These latter changes, however, are quite unrepresentative of the general trend of British economic affairs; the declining volume of traffic was due only in part to depression in the industries for which they cater, and in the main to the rapid changes in the transport industry, that is, to the enormous expansion in motor traffic, and the consequent loss by the railways of their monopoly in the general merchandise and passenger traffic. Mr Gilbert Walker estimated the volume of goods carried by road at 100 million tons in 1936, though the average length of haul was shorter than by rail. The railways, in fact, were doubly hit, first by the decline in the total volume of heavy traffic, and, secondly, by the growth of road competition, which deprived them not only of any additional traffic in general merchandise and passengers, but actually diminished it. How did they stand up to this double onslaught? Financially, the amalgamated companies certainly disappointed the hopes of those who had drafted the Act of 1921, but mainly because the Act failed completely—and, perhaps, understandably—to foresee the changes in the nature of traffic, and (in company with *The Economist*) to admit the possibilities of the petrol engine. Before the war, the companies never earned the standard revenue of some £51 million a year—defined as an annual net revenue equivalent to the combined net revenue in 1913 of the amalgamated companies—which they were expected to earn with efficient working and management. The nearest the four companies came to the target was in the first year of their existence, when their combined net revenue was £45.6 million. The average net revenue for the period from 1923 to 1942, exclusive of 1926, was £37½ million, equivalent to a return of some 3½ per cent on the capital. From being "as solid as a rock," railway shares have become rather unsteady, and many of the junior issues are now speculative counters. In the light of actual, as distinct from expected conditions, however, the companies can hardly be said to have done badly. An average net revenue of some 3½ per cent—the figure never fell below £28 million during the thirties—on the capital of the companies is by no means a black record. What is surprising in retrospect is not so much the low rate of the average net revenue as the ability of the companies to continue earning a substantial net revenue every year since their formation, and to find £330 million out of income during 21 years for the replacement of equipment. They have stood up to their difficulties very well indeed, though not without the assistance of restrictions on road traffic since the early thirties.

During the war, the four railway companies have had to

handle a greatly increased volume of traffic in difficult conditions. Both passengers and goods traffic are reported to be some 50 per cent up. If the railways had not maintained their facilities in good working order by heavy capital expenditure in the past, they might well have broken down under their wartime load.

The Railways Act of 1921, in fact, has provided Britain with a transport system that has maintained its efficiency in the face of great difficulties before and during the war. Amalgamation has certainly proved no disaster. Whether the multitude of companies existing before 1923 would have served the country—and the investor—better, can never be known; any expression of opinion can only be based on hypothesis. From the financial point of view, some of the stronger of the old lines might have done better than the large combined companies. But many others would have been in bankruptcy or on the verge of it. The public has not been badly served, and many individual investors have been saved from heavy loss. Amalgamation presented a number of opportunities for technical improvement, and many of these have been taken—it is not often realised by the public to what an extent the railways, both permanent way and rolling stock, have been rebuilt since 1921. Whether some of the larger opportunities—main line electrification, for example—have been fully seized is perhaps more questionable. But in the day-to-day search for efficiency and for economy of means, the four railway companies have a very fine record. It might be argued that they have been better able than their constituent elements would have been both to keep unremunerative lines open, and to secure legislation putting limits on the development of road transport. But there is a double "might-have-been" involved here. It is not certain that, without amalgamation, there would have been any greater elimination of unremunerative capital. Nor would everyone agree that the Road Traffic Act of 1930 and the Road and Rail Traffic Act of 1933 were prejudicial to the public interest.

The first 21 years have shown the importance to the railways of changes in the national economy as a whole, which must be the starting point for any forecast of the future. What those changes will be is all the more difficult to perceive, since pre-war trends may not necessarily continue after the war. Broadly, the conditions for further expansion in general business activity are likely to remain favourable, and hence the total volume of traffic to be moved by all forms of transport should continue to grow, but mainly in the general merchandise and passenger categories. A successful employment policy would probably bring a fairly sharp rise in total traffic above pre-war levels, at least for a number of years after the change-over from a war to a peace economy. Considerations such as these are relevant to the planning of a capital development programme for the railways.

Another vital question to which the railway companies—and the public—require an early answer, is the future relationship between the various means of transport, and in



**FOR ALL
INSURANCE
NEEDS**

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

particular between rail and road. There are, broadly, three lines of policy that could be pursued. The first would be a return to open competition, with some equalisation between road and rail of the burdens placed upon them by the State. The second would be the continued maintenance of road and rail as separate entities, with each providing a complete, or fairly complete, transport service, but with agreement between them on the rates to be charged. The third would be some form of community of interest between the two which, by making it a matter of indifference to them whether traffic moved by the one means or the other, would make it possible to eliminate all overlapping, and to secure the maximum of real efficiency—but at the cost of removing the public's choice of route. The trend of opinion among the railways—not surprisingly—has long been in favour of the second solution. More unexpectedly, similar views are beginning to be expressed by road operators, though not yet with anything like unanimity. On October 12th, Sir William Wood, president of the LMS, expressed this view:

I consider that the way is now clear for the adoption of complete equality in regard to charging powers, leaving the users of public transport free to choose the system they prefer to use at a particular time, thus achieving a natural allocation of traffic between the various forms of transport. It would permit a system of correlated charges, not necessarily uniform, agreed between the forms of transport.

Such a policy, involving joint price-fixing, would amount to a transport cartel in private hands. It envisages the creation of a system of tribunals to whom consumers could bring

their complaints about charges; but are such tribunals likely to be effective? True, there are two other important safeguards, the "C" licence for the movement of goods, and the private car for the conveyance of passengers. So long as there are no restrictions on these, they might act as a brake on excessive charges for public transport. This is not the occasion for these difficult questions to be argued out in full—indeed, it is questionable whether the facts are available for a very decided opinion. But an answer will have to be found within the second twenty-one years.

In the narrower field of railway operation itself, there will be large questions to be resolved. The most obvious is that of electrification. The Weir Report in 1931 pronounced in favour of electrification of the main lines, on the basis of 1929 traffic. Declines in traffic and technical improvements in steam traction were regarded as removing the basis of this calculation. Will this revised view still hold good after the war? Even if the verdict goes against main line electrification, there is still a great deal of work to do in suburban and short-haul electrification. Or, again, is there a case for the replacement of the present rather antiquated style of goods wagons by new stock with continuous braking, so that goods trains could run faster? Will the replanning of London and other cities involve large-scale re-routing of the railways and re-siting of their main termini? These are only three out of the many equally large problems awaiting solution. If there is one thing that is certain it is that the amalgamated companies' second twenty-one years can be relied upon to be as full of the unexpected as their first.

Business Notes

Christmas Note Circulation

The seasonal expansion in the note issue slackened slightly during the week to last Wednesday. The Bank note circulation touched £1,081,022,000 last Wednesday, showing an increase of £14,065,000 during that period, which compares with £21,562,000 for the previous week, but with £12,146,000 for the immediate pre-holiday week of last year. The slight slackening in the net outflow of notes from the Bank of England during the past week does not necessarily indicate a slower withdrawal of notes by the public from the banks. The joint stock banks had anticipated the record public demand for currency by stocking up their tills, a process which was reflected in the exceptional expansion of the circulation noted the previous week. The latest increase in this item leaves £19,219,000 of unissued notes in the reserve of the banking department. This should more than cover the further net outflow of notes which may be expected over the week to Wednesday next, and it should, therefore, be unnecessary for the authorities to proceed to yet another increase in the fiduciary issue before the turn of the year. As notes have gone into circulation, so the holding of Government securities by the banking department has increased, and the effect on the credit position of withdrawal of currency from the banks has thus been neutralised.

End of Year Preparations

Preparations for meeting the end-of-year pressure are already in full swing in the money market. Prospects are rendered rather ominous by the accident of the calendar which will compel the discount market to pay in December for the whole of the bills issued next week. Usually it is possible for the market so to arrange the dates of the Treasury bills for which it applies in the last week of the year that the bulk of its payments are made in the first days of January, and not in the final days of December. This year the final day of the year falls on a Friday, and in normal circumstances it would have been possible to concentrate the applications at this week's tenders on bills dated and payable on Saturday, January 1, 1944. But since the banks will be closed on that day, no Treasury bills will be paid for, and the market will therefore be compelled to take the whole of next week's quota in bills payable during December. This means that, contrary to the experience of the last three years, it will not be possible for the market to shift a considerable part of the burden of the end-of-year pressure to the broad shoulders of the Treasury. On those

earlier occasions, the Treasury had to meet the bulk of the maturities in the final week of the year in December, and to wait until January for the new money brought through the newly issued bills. This meant heavy ways and means borrowing from the Bank of England over the turn of the year. On the present occasion the money market will have to bear the pressure without this adventitious aid. This will probably mean that substantial sales of bills will be made towards the end of the year to the official agents. Such sales have already been in evidence this week. The scale on which they are likely to be made between now and the end of the year will largely depend on the amount of Treasury Deposit money which the banks are called upon to pay to the Treasury next week. In each of the past two weeks the fresh money paid over in this way has been heavy, and the banks have consequently been poor buyers of bills from the market. If another big payment is expected of them next week, their calling of loans from the market will be on a greater scale, and the special help to be given to the market by the authorities will be correspondingly scaled up. If the market were compelled to take any of this assistance in the form of direct loans from the Bank—as they customarily did before the war—the event would rank as a sensation in Lombard Street.

Output Bonus

Among the subjects discussed between the Minister of Fuel and the two sides of the coal industry this week have been methods of providing greater incentives to production. It is generally recognised that the existing output bonus scheme has failed and that more direct inducements to individual effort are required. It was for this reason that Lord Greene in his fourth report recommended that the output bonus should be transferred from a district to an individual pit basis. It is perhaps worth recording the sequence of events leading up to the present situation. The Mineworkers' Federation, which had originally opposed a pit basis, withdrew its opposition, and in its Memorandum to the Minister of October 7th urged that this method should be adopted. Major Lloyd George, Minister of Fuel and Power, intimated in the House of Commons on October 13th that, subject to acceptance by both sides, the Government was prepared to implement the recommendation, and in his reply to the Federation's Memorandum on November 2nd gave an assurance that the necessary financial and administrative assistance would be forthcoming. (Lord Greene estimated the cost of operating a pit bonus scheme at about £3.5 million per annum, as compared with the district scheme's cost of

£600,000.) In the meantime, negotiations were proceeding with the Mining Association, which objected to the pit basis on the ground that it would create difficulties and grievances between the pits, owing to the wide variations in size and geological conditions, and might lead to "pressure towards a movement of labour to the more successful pits." The Association stressed these difficulties in a letter to the Minister on October 22nd and, verbally, on November 3rd. On November 11th it submitted in writing to Lord Hyndley its arguments and examples of these difficulties, and on November 29th put forward a counter-proposal to the Greene scheme. This proposal, which was discussed with the Minister on Wednesday and will now be discussed with the Miners' Federation, is for an increase in the attendance bonus, from 6s. a week to 10s. 6d., so that regular attendance on the last two days of the week, which are the most vital to output, would be rewarded. If an attendance bonus scheme produced the same results in terms of output as the adoption of a pit bonus, it seems immaterial which form of incentive is adopted—the chief consideration to-day should be speed in decision and effect on output. The same applies to the other proposals now under discussion. The Government is suggesting as a means of improving discipline the setting up of pit "courts," on the lines of the Durham and Yorkshire schemes, for dealing with absenteeism and indiscipline. A further proposal is that group labour officers would be appointed under the Government's scheme for grouping pits who would in general be responsible for discipline. The miners' leaders have now accepted in principle the Government's proposal for improving control by grouping pits, though they still do not consider that this will be as effective in increasing output as the assumption of financial, as well as operational, control over the mines. (It was stated in *The Economist* of last week (p. 819), on the basis of statements in the press, that the miners had rejected the Government's proposals on the grounds of their inadequacy.) The Mining Association has also accepted the Government's scheme for the grouping of pits. The greatly needed improvements in control may now be given effect.

Australian Loan Repayment

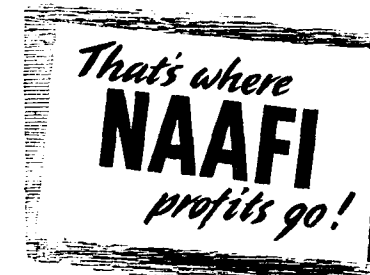
The announcement that the Commonwealth Government will repay £4,491,129 of 3½ per cent stock, falling due for final redemption on January 1st, marks a further step in the rehabilitation of Australian finance. The improvement of the years immediately before the war was reversed by disturbance to normal trade and Australia borrowed £12,000,000 from this country to fill the gap before the present system of purchases became effective. In *The Economist* of November 6th, when dealing with the repayment of this advance, it was pointed out that the Commonwealth holdings of sterling probably exceeded £60 million after the repayment. In view of the fact that Britain is paying Australia something like £470 million per annum in connection with the purchase of the wool clip alone, the accumulation is likely to continue and it is not surprising that there should be some reduction in the very large publicly held debt. If Australia wishes to effect repayments there is plenty of scope. Of loans amounting to some £66 million, which could be repaid at any time on due notice, £30 million in 4 per cent stocks would, and £9 million in 3½ per cent might, be worth repayment or conversion. Further, October 1, 1944, brings a 3 per cent Commonwealth maturity of £8,125,000 odd and three months later there falls due almost £4,000,000 of Queensland 3½ per cent stock. Finally there will be the chance to repay or convert in the second half of 1945 over £108 million of 5 per cent issues of the Commonwealth and State Governments. These are very large sums and it must not be supposed that the Commonwealth will necessarily make every effort to repay them. The existing sterling holding of some £60 million is probably not too great a sum to hold in reserve. Possibly, some would say it was insufficient. Conversion of the 5 per cents—and, possibly, of the 4 per cents—will, however, certainly be undertaken unless conditions show grave deterioration. The authorities will want to cut interest rates as much as possible and the use of some resources to effect redemptions simultaneously with, and in anticipation of, any large scale conversion offer seems to be probable.

Outlook for Kaffirs

The half-yearly dividend declarations of the gold mines operating on the Rand and contiguous areas are now complete and it cannot be said that they throw any special light on the general outlook for the industry. The amount to be



Consider what Naafi staff have achieved for the Forces in the third year of war—and come and help them to do even greater work in the urgent months ahead. Naafi, the official canteen organisation, has recently rendered an account of its stewardship for the third year of the war. In that one year, Naafi distributed to H.M. Forces over £8,000,000 in cash and amenities—nearly double the figure for the previous year. Of this sum, a total of nearly £6,000,000 was distributed in cash—by monthly cheques paid to units for the benefit of the men, in proportion to the volume of the trade in their Naafi canteen. A further £1,200,000 was spent on Naafi/Ensa entertainment for the Forces at home and overseas, and no less than £1,000,000 was allocated to benevolent funds of the three Services and to the Red Cross Prisoners of War Fund. This contribution to the Services' welfare can be continued only if Naafi canteen service can be maintained with an adequate staff. That is why more men and women* are wanted for canteen duties at once. Manageresses, Cooks and Counter Assistants are urgently needed. Apply, NAAFI, Imperial Court, Kennington Lane, London, S.E.11, or any Employment Exchange.



NAAFI belongs to the Forces. It has no shareholders, and serves no private interests. It is financially self-supporting and all its available profits are used for the benefit of the Forces

* This does not apply to single women (or widows) born in the years 1918-1923.

ence of all those areas in which Allied expenditure has been on an abnormal scale and has not been accompanied by a corresponding reverse flow of goods. One important effect of the import difficulties to which Lord Wardington pointed was the stimulus to industrial self-sufficiency imparted to the economy of all countries in question. This is especially true of Brazil, which is now becoming an exporter of manufactured products on a fair scale. For the first half of this year such exports represented 23 per cent of the total Brazilian exports, whereas in 1941 the proportion was only 3 per cent.

Consultation Between Exchanges

It may be recalled that in April of last year there was brought into being an advisory committee to consider matters of common interest to the Stock Exchange in London and the twenty-two provincial exchanges which have actual markets and are grouped in the Associated Stock Exchanges. Further, early in June of that year, the Provincial Brokers' Stock Exchange, a body grouping individual brokers working in centres where there is no exchange, joined the committee. Representatives were elected, London and the Associated having four each and the PBSE two. They were elected for the period ending December 31, 1943, and are consequently due to retire. The final meeting of this first session met last week, and, although no report has been issued, it is a fair inference that all members agreed that consultation had produced even larger results than had been expected. There was, however, one difficulty. The Associated includes both English and Scottish exchanges and markets which are large like Glasgow and Liverpool and many more which are so much smaller as to have a different outlook on many questions. It was difficult to secure adequate representation of all these interests within the prescribed four representatives. It says a good deal for the spirit in which the deliberations of this body are conducted that London immediately suggested that the representation of the Associated be increased to six, while it retained four members only, and that this amendment was accepted without demur by the PBSE. As the rule of the Committee is one vote for each representative, this means that London's position will more easily be challenged; but that it felt to be a matter of minor importance compared with adequate consultation, for virtually all the Committee's recommendations have been the result of an agreed opinion, not of a majority vote.

Chartered Accountants Break New Ground

The Institute of Chartered Accountants is to be congratulated upon the election of Mr F. R. M. de Paula to fill the gaps left vacant by the resignation of Mr K. A. Layton-Bennett from the chairmanship of its Taxation and Financial Relations Committee and a seat on its Council. The former appointment was almost inevitable, since Mr de Paula was in the direct succession, but this is the first time that a member who was not publicly practising the profession has been admitted to direct participation in its management. It is to be hoped that this step is symptomatic of a new outlook. This election does not mean that all the barriers are down. It may be some time before there is any appreciable further change in the composition of the Council, and it is, therefore, essential to convince its present members of the need for early and energetic action. The accountants, like most other people, are making plans for the post-war period. The main bodies are trying to get together to seek some sort of Government licence. The Institute and the Society are both making efforts to solve some of the intellectual problems which face accountancy, as well as the organisational puzzles which are likely to crop up when demobilisation releases members at present serving. Now is the time for the Institute to take the initiative in putting forward the long-delayed programme for providing for post-graduate training in the wider aspects of accountancy. *The Economist* has more than once advocated this reform, among others, and, from his varied experience and his past association with university work, Mr de Paula is the man to put the matter before his colleagues with an authority which should win their support. It is to be hoped that he will urge it upon them without delay, for the universities, too, are making post-war plans. Further, the post-war world will greatly

need more men of wide outlook and training in both the practice and theory of accountancy if it is to make its proper contribution to the solution of economic problems.

Cotton Cloth Exports

Exports of cotton yarn and piece goods have been controlled for more than two years, and allocations have been on the basis of past performance. The Cotton Board, the Textile Exporters' Committee, the Cotton and Rayon Merchants' Association and the Cotton Control have been discussing means of making the system more flexible, partly to meet the position when exports will be larger. The Cotton Control has announced that for the first quarter of 1944 some four-fifths of the total of about 100 million sq. yds. will be allocated to individual exporters, the remainder being left to be produced by manufacturers who, from time to time, have some productive capacity available, and who may sell to any allocation holder qualified in the respective markets. This will in no way penalise small firms, and will leave room for initiative and enterprise—qualities which will be needed in the post-war period. The new scheme has been welcomed by the trade. No export allocations will be issued for September to December, 1943, since deliveries on export account have not kept pace with the volume allocated; deliveries will thus be eased. At the end of September, the equivalent of six months' allocation was outstanding. Yarn licences against the allocations for 1944 will not be issued until January 10th. New prices come into force on that date, to offset the advance in wages. This advance was estimated to raise production costs by two to three per cent; yarn and cloth prices are to be raised by nearly four per cent.

Miners' Welfare

The Mining Industry (Welfare Fund) Bill, which was given its third reading in the House of Commons last week, maintains the welfare output levy at 1d. per ton to the end of 1951. With an output of 200 million tons a year, this levy would yield about £833,000. It would otherwise have reverted to the 3d. rate at the end of this year. This provision has been warmly welcomed both inside and outside Parliament. Sir Frederick Sykes, chairman of the Miners' Welfare Commission, gave an encouraging review of the work which has been accomplished through the Miners' Welfare Fund, but a lot remains to be done to improve the miners' working conditions. There are now 362 pithead baths with facilities for 57 per cent of the men employed, but the building programme was suspended at the beginning of the war and there are still 322,000 men for whom no provision has been made. Many of these are employed at small collieries. Unlike baths, canteens do not involve the installation of specialised equipment and the canteen programme has progressed rapidly. By the beginning of December, 893 collieries out of 1,028 had canteens, covering 95 per cent of the workers. Of these 415 served full meals, the remainder providing only "snack" and "snack" service (pies and sandwiches), but when the canteens now under construction are completed, 70 per cent of the men will be able to get full meals. Apart from the extra cheese ration of 12 ounces a week, pithead canteens are the only means by which miners can get additional nourishment—the policy of differential rationing for heavy manual workers has not been favoured in this country; it is essential that adequate meals should be provided, and that full use should be made of the facilities. At present, for various reasons, such as transport, habit and domestic arrangements, about a third of the miners use them. The third main programme of the Miners' Welfare Commission is the provision of rehabilitation centres. About 60 per cent of the miners are now covered, either by special centres or by arrangements with hospitals. The centres at Gleneagles in Scotland and Berry Hill Hall in Nottinghamshire have been in operation for some time; a new centre was opened at Talygarn, South Wales, last Saturday; and others are planned for Durham, Northumberland, Lancashire and Derby. It is hoped that by the summer, each of the main coalfields will have a centre. Rehabilitation, or post-hospital treatment, to restore the working capacity of men injured or diseased in the course of their employment, is a comparatively recent development, to which increasing attention is being paid. Its importance to miners can be gauged from the fact that the accident rate in mining is six times higher than in factories.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

SUCCESSFUL RESULTS

LORD WARDINGTON'S STATEMENTS

The annual ordinary meeting of the Bank of London and South America, Limited, will be held on Tuesday, the 28th instant, in London.

The following are extracts from the statement by the chairman, Lord Wardington, which has been circulated to stockholders:

From the directors' report you will observe that the net profit after providing for bad and doubtful debts and for legal reserves in South America amounts to £655,475, which, together with the sum of £176,338 brought forward from last year, makes a total of £831,813, compared with £813,758 a year ago. I feel you will endorse the board's view that the results may be regarded as very satisfactory.

The interim dividend of 2 per cent. paid in June last amounted to £80,800, and transfers to contingency and taxation reserves have been made amounting to £410,000. The directors now recommend a final dividend of 4 per cent., amounting to £161,600, payable December 29, 1943, making 6 per cent. for the year, subject to income-tax, and leaving a balance to be carried forward on profit and loss account of £179,433.

THE FUTURE

After the usual review of conditions in the South American countries, the statement continues: Present general economic tendencies in Latin-America may be expected to continue so long as the war lasts, although the shipping situation has lately shown some improvement. The varying effects upon local markets of such factors as inflationary tendencies or of the measures taken to combat them, as well as the changes in business atmosphere which will certainly occur when the end of hostilities is more clearly in sight, call for especial vigilance on the part of your directors and officials to maintain this institution's traditionally sound position, and you may be sure that this is unremittently forthcoming.

Plans for post-war international trade and currency stabilisation are now much in the air, and, whatever their outcome, from the point of view of Latin-America the large holdings of gold and foreign exchange should prove a stabilising influence there against the effects of post-war changes in balances of payment. At the same time it is important to remember that the success of plans of the nature indicated must depend ultimately upon internal economic stability in individual countries and the general pursuit of governmental policies likely to promote business confidence. It is not yet possible to foretell what international economic arrangements will emerge after the war, but it is certain that lasting world prosperity cannot be built upon individual national opportunism. I will, therefore, merely add my own expression of confident hope to those of many others that, as the war will be won, so also will the peace—despite the admitted difficulties—through continued co-operation between the United Nations in a joint reconstruction programme based as far as possible on the removal of the trade barriers which operated for so long after the last war and on the mutual recognition of the obligations and advantages of encouraging the maximum exchange of goods.

NEED FOR EXPANDED BRITISH EXPORTS

In aiming at the ideal of a real equilibrium in trade there must be general

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

ANNUAL MEETING OF STOCKHOLDERS

The eighteenth ordinary general meeting of stockholders of Barclays Bank (Dominion, Colonial and Overseas) was held, on the 23rd instant, at 29, Gracechurch Street, London, E.C. 3.

Sir William Goodenough, Bart., who presided, said: As has lately been our custom, the chairman's address to the stockholders has been printed together with the figures of the bank for the past year, and I hope that you will agree to take them as read.

For those of us who are here present, however, I feel that I should endeavour to pay special tribute to the memory of our late chairman, Sir John Caulcutt, whose sudden death has been a great loss and a source of grief to all of us. Sir John had been closely associated with the work of the bank since its reincorporation in 1925. It is indeed difficult to exaggerate the debt which we owe to him for his skill and for the unfailing energy which he devoted to his work until the end of his life. He was proud, and rightly proud, of our business, the success of which was in no small measure due to his efforts and which brought him warm recognition from the City of London, and, indeed, wherever the bank is established throughout the Empire. His interests were not limited to the City or to the bank. He was a worker in many good causes, to which he gave his help unstintingly. We who were his colleagues here will remember him not only for his achievement as a man of business, but also as a good friend, whom we held in warm regard, and we greatly deplore his sudden loss.

Perhaps I may be allowed to say how proud I am to succeed Sir John as chairman.

TRIBUTE TO STAFF

I am sure you would wish me to convey to our staff a message of good-will and appreciation for their excellent service during the past year. You would also wish me to convey a message of sincere sympathy to the relatives of those who have fallen in the service of their country. (Hear, hear.)

The chairman then moved the adoption of the report of directors and the statement of accounts for the year ended September 30, 1943, and the payment of a final dividend of 4 per cent. actual on the 8 per cent. cumulative preference stock and of 3½ per cent. actual on the "A" stock and "B" shares. The motion was seconded by Mr A. B. Gillett (deputy-chairman) and carried.

The retiring directors, Mr Arthur Bevington Gillett and Mr Walter Osborne Stevenson, were re-elected.

On the motion of Mr Joseph Nissim, seconded by Mr W. Rhodes, Messrs Deloitte, Plender, Griffiths and Company; Price, Waterhouse and Company; Peat, Marwick, Mitchell and Company, and Cooper Brothers and Company were re-appointed auditors.

A vote of thanks to the chairman, directors, management and staff concluded the proceedings.

E. W. TARRY AND COMPANY, LIMITED

The annual general meeting of E. W. Tarry and Company, Limited, was held, on the 17th instant, in London, Commander Oliver Locker-Lampson, C.M.G., D.S.O., M.P., the chairman, presiding. The following is the directors' statement

South America has continued to escape the material destruction of the war, and her fortunate position contrasts strongly with a devastated Europe. Possessed of such vast natural resources, the continent must play a prominent part in world reconstruction, and with the success which is attending Allied arms, I may be permitted to hope that twelve months hence may see the dawn of that era of reconstruction.

circulated with the report and accounts:—The results of the year must be considered satisfactory having regard to the difficulties of trading after four years of war.

South Africa has experienced great industrial activity and has expanded its local manufacturing, but we are confident that there will continue to be a great demand for goods from this country.

The profit available for distribution is £32,117 17s. 3d., and of this amount the directors recommend the transfer of £10,000 to the reserve account and the payment of a dividend of 7½ per cent. on the ordinary shares.

The report and accounts were adopted.

LAKE VIEW AND STAR, LIMITED

MR. D. CHRISTOPHERSON'S REVIEW

The thirty-third ordinary general meeting of this company was held, on the 17th instant, in London, Mr D. Christopherston, C.B.E. (the chairman), presiding.

The following is an extract from the chairman's statement, which was circulated with the report and accounts for the year ended June 30, 1943:—The profit from mining operations was £389,378, which compares with £437,771 in the previous year. In order to provide income-tax on the previous year's profits payable on January 1, 1944, and the total taxation on current profits, it has been necessary to transfer £75,000 from reserve to appropriation account. This makes provision for the company's total estimated liability.

The directors recommend the payment of a final dividend of 25 per cent., less tax, making a total distribution of 37½ per cent., which is the same rate as paid in the previous year.

Development amounted to only 5,868 ft., or 34,000 ft. less than normal. On the No. 4 Lode a southern extension of the ore shoot was discovered on the upper levels of the Chaffers, and the 1,700-ft. Level south drive was advanced 114 ft. in ore averaging 6.4 dwt. This shoot is now being developed on the 1,553-ft. Level. In the Minor Lodes, where only 1,362 ft. of development was done, the reserve position remains satisfactory. No. 6 Lode, which was discovered in the previous year and proved on the 1,884-ft. Level, was further developed at the 2,000-ft. Level, where 226 ft. averaged 4.9 dwt. over 58 in.

At the Lake View Mine good results were obtained from the 2,008 ft. of development; out of 1,174 ft. of driving 686 was in ore averaging 9.7 dwt. over 64 in. At the 300-ft. Level an east crosscut was put out from the Lake View Main Lode to cut an ore body located by drilling, and the first 31 ft. of driving on this has averaged 7.8 dwt. over 70 in.

Shortage of skilled labour has again held up development of the ore body on the 2,670-ft. Level. Driving off the winze from the 2,300-ft. Level at the 2,474-ft. horizon has so far given poor results over the 188 ft. advanced. At the 2,664-ft. Level a north drive in the hanging wall of the wide ore body was advanced 149 ft., 108 ft. of this being in 4.9 dwt. ore. A north drive in the footwall was advanced 166 ft., 77 ft. being in ore averaging 12 dwt., while a south drive in the footwall side showed free gold, the first 21 ft. averaging 70.6 dwt. over 70 in. In the centre of the ore body a north drive was advanced 52 ft. in 9.2 dwt. ore.

Ore reserves estimated at 4,112,600 tons averaging 5.01 dwt. show a decrease of 87,600 tons and 0.04 dwt. in value from the preceding year.

At Chaffers plant 321,509 tons averaging 5.95 dwt. was treated for a record extraction of 91.48 per cent.; 827,201 tons of residues averaging 0.84 dwt. per ton was also treated at the retreatment plant.

The report and accounts were unanimously adopted.

CARRERAS, LIMITED

CONTINUED PROGRESS

The fortieth annual general meeting of Carreras, Limited, was held, on the 22nd instant, in London.

Sir Edward S. Baron (chairman and managing director) said that it gave him pleasure to be able to report continued progress. This annual meeting was their fortieth, and he thought shareholders would agree that the achievements gained and the progress made since their formation must be a source of satisfaction and pride to all concerned. Never during those 40 years had they failed to pay a dividend. That record was due in no small measure to that outstanding characteristic of private enterprise—the pioneer spirit—a spirit which, in his view, was a first essential of future world prosperity. The growth of this business was a fitting testimony to the efficacy of private enterprise; pioneering in the scientific development of production machinery and methods of manufacture; in the encouragement of those twin assets, initiative and enthusiasm; in a courageous and enlightened progressive policy, beneficial to workers and shareholders alike.

OUTPUT GREATER THAN ANTICIPATED

The net balance, after charging directors' fees, ample depreciation, superannuation contributions, war damage contributions due, was £3,629,974, a new record in their history. That, in a large measure, could be attributed to revised methods, more efficient machinery and altered conditions, which had enabled them to obtain a greater output of cigarettes than any of them could have possibly have anticipated a year ago.

The amount provided for taxation, both Excess Profit Tax and income-tax, was £2,837,695, representing approximately 80 per cent. of their earnings, and was an increase of something under £400,000 on last year's figure. That did not mean that some of their additional profit escaped taxation, but was due to the fact that last year they had to provide an amount in excess of a year's taxation, so that the whole of their expected liability on all profits made up to October 31, 1942, would be covered. In the present accounts no extra period needed to be provided for, but only the profits made in the past 12 months, and adequate provision had been made for those according to the best information available. Now that the company's liability for taxation had been covered up to date and the general position was so sound, it was felt that there was no reason whatever why the rate of dividend in force at the beginning of the year should not be restored. The proposal was, therefore, that a final dividend of 17½ per cent. should be paid on the ordinary shares of all three classes, making 30 per cent. for the year.

BONUS TO STAFF

In recognition of the part played by employees in securing the satisfactory results of the past year, they had continued their practice of letting them have a share in the company's prosperity, and it had been decided this year to pay them a bonus for the year amounting to six weeks' wages.

In the light of to-day's forecast of last year had not been sufficiently optimistic, but he was sure shareholders would rather he erred on the side of caution, which course he felt it prudent again to adopt, as one could not foresee all the unknown factors that might arise during the coming year. This much he could say, however, that whatever the circumstances he felt confident that the administration and organisation would meet them with resource, energy and to the advantage of the shareholders.

The report was unanimously adopted.

AVON INDIA RUBBER COMPANY, LIMITED

MAJOR R. F. FULLER'S REVIEW

The fifty-fourth ordinary general meeting of the Avon India Rubber Company, Limited, was held, on the 17th instant, at the company's offices, Melksham, Wilts, Major R. F. Fuller, D.L., the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—The directors submit to the shareholders the fifty-third annual report and accounts with satisfaction at the results shown.

The amount of essential work accomplished by your company during the year is substantial.

For the first time there is included in the accounts a memorandum which shows the company's total liability for taxation and the provisions made for its liquidation on due dates. In particular, it will be noted that not only is EPT fully covered, but also the 1944-45 income-tax, which will be calculated on the profits of the past year.

BALANCE-SHEET ITEMS

In total, fixed assets appear in the balance-sheet at £500,144, compared with £510,069 last year. The opportunity has been taken, commencing with the written-down value in 1932, to show additions at cost to fixed assets since that date, and the amount of depreciation written off, over the period of 10 years and the year under review. In 1940 the board obtained an expert and independent valuation of the company's fixed assets in Melksham on the basis of pre-war values of a going concern. This was "about but not less than £597,500," compared with the book figure of £465,333. All ARP expenditure to date has been written off.

Other assets would not appear to call for special comment except to mention that stocks and work in progress are advantageous and valued at cost or market price, whichever is the lower. There are no items for patents or goodwill, although, in fact, these constitute valuable assets.

On the liability side we have no prior charges. The excess of total floating assets over total current liabilities and provisions is £182,288 (last year £146,704).

ALLOCATION OF PROFIT

Turning to the profit and loss account, the sum available for appropriation is £350,759, but after providing for taxation and the payment of War Damage Contribution, the balance remaining is £57,932 5s. 10d. Your directors now recommend:—Contribution toward staff pension fund, £4,000; final dividend on ordinary shares of 4 per cent. plus 3 per cent. bonus (making 10 per cent. for the year), £20,778 18s. 10d.; less income-tax at 10s in the £, £10,389; leaving a balance to be carried forward to next year of £31,590, against £11,907 15s. 9d. brought in. Dividends are shown net after deducting income-tax and consequently the total amount of distribution is disclosed.

The past year has continued to entangle us in difficulties arising from war conditions and the incidence of war-time control restrictions, but in large measure these have been overcome from day to day, and factory results attained, in the main, of the loyal and unstinted efforts and efficiency of our workpeople and station grades. They have completed another year of hard work in the national cause, and thanks are due to them.

It is not possible to forecast the course of the current year, but it is pleasing to be able to report that the year has commenced well and profitably. Assuming a continued adequate supply of raw materials and labour, the results to be presented a year hence should not be disappointing.

The report and accounts were unanimously adopted.

BRITISH CELANESE LIMITED

RECORD TRADING PROFITS

DR HENRY DREYFUS'S ADDRESS

The twenty-fourth annual general meeting of British Celanese Limited, was held, on the 21st instant, at Winchester House, Old Broad Street, London, E.C.2, Dr Henry Dreyfus (chairman and managing director) presiding.

The chairman said: Ladies and gentlemen,—I call upon the secretary to read the notice convening the meeting and the auditors' report.

The assistant secretary having read the notice convening the meeting and the report of the auditors,

The chairman said: With your approval I suggest that the report and accounts be considered as read. The profit and loss account shows a balance of trading account of £3,369,147 compared with £3,152,115 last year and is a new record. After providing for general sales and administrative expenses, Excise duty, research and advertising, etc., there remains a balance of £2,181,346 compared with £2,016,290 last year, and after providing for depreciation, debenture interest, etc., there remains a net profit of £1,660,403 as compared with £1,498,495, subject to taxation, which item this year requires £1,312,000. Whilst the tax free profit actually earned in the previous year amounted to £328,495, this year it was £348,403, or nearly £700,000 gross.

This profit was earned on a restricted production, and were it not for the heavy burden of Excess Profits Tax, the amount available after meeting the dividends on both preference stocks and the interest on the funding certificates would have been sufficient to provide the full 2½ per cent. participating dividend on the second preference stock and a substantial dividend on the ordinary shares, apart from providing a much greater fund for the redemption of funding certificates. Provision has been made, as formerly, for the payment of allowances to those of our employees in the National Services. The carry forward to the current year of £592,214 compares with the amount of £511,988 brought forward* as at June 27, 1942.

Trading and profit for the current year continue to be satisfactory, and, subject to unforeseen circumstances, a further large E.P.T. provision may probably be required in the current year. Up to July 3, 1943, Excess Profits Tax amounted to £1,800,000. No credit has been taken for any possible 20 per cent. refund after the war.

DIVIDEND POSITION

Whilst the profits earned in the year under review alone—or combined with the previous carry forward—would allow an ordinary dividend and a second preference participating dividend to be paid, your board do not recommend such dividends at the present time in view of prevailing war conditions. I said at the last annual general meeting that your board will give favourable consideration to the claims of ordinary shareholders and participating shareholders of second preference stockholders as far as they consider it prudent to do so. Your board will also be influenced by the changing factors, and in addition the incidence of taxation may be changed based on possible new financial laws, all of which may react favourably on the possibility of paying such dividends in the future.

I mention change in finance law specially because steps are being taken by the Government in relation to post-war

planning which include increased exports. The incidence of war taxation prevents the majority of firms from setting aside sufficient funds to provide for improvements or additions to their plants and other post-war planning. Accordingly unless this heavy burden is somewhat alleviated the development of new products and new technique, coupled with their development in the export trade, is likely to be seriously restricted.

CONTROL AND CO-OPERATION IN THE INDUSTRY

The volume of rayon production and its allocation to the home and export trade are very restricted and controlled. Export demands continue greater than supply. I am glad to say that all sections of the rayon industry continue to co-operate harmoniously, and the formation of the British Rayon Federation will further help in this direction.

RESEARCH AND MANUFACTURING DEVELOPMENT

Research and development of new products and new processes have been continued, and have covered a wide field. The research has been directed in the main to our war effort, and has covered a large range of textiles and chemicals and their intermediates, including dyestuffs and plastics of many kinds. Plastics have figured in the activities of your company continuously from the period of the last war, and our research has been extended to embrace chemical products of many kinds, and their intermediates which lend themselves for use in the plastics industry of thermo-plastic and thermo-setting types. You will be interested to know that for some time we have also been developing new products which combine the thermo-plastic with the thermo-setting types at will. When you consider all these points you will understand that in this industry also we are in the forefront.

You have probably noticed in the press that the production in America of acetate plastics is of the order of 75-80 million pounds weight a year, and that the American Celanese Company, together with their friends engaged in the same manufacture in their war effort over there, are making good progress in this field, and in particular with acetate plastics and derivatives and other important products relative to them, which later imply also dimensional stability and other improved qualities.

We ourselves are rather keeping stationary in our war effort in this respect owing to difficulties experienced in obtaining licences for the materials necessary for erecting installations for further developments. This also applies to our strong yarns which were invented and developed in this country in which again our American company are expanding far more quickly than we. We hope when hostilities cease and controls become less rigid your company will then be in a position to develop more rapidly in these various fields.

TECHNICAL PROGRESS

The research organisation of your company, which is one of the largest of its kind in the country, has always kept itself in the forefront of scientific and technical progress. I have previously mentioned to you that our strong yarns are the strongest in the world, and we are now able to produce products having strengths of 11 grammes per denier, compared with

our previous values of 6 to 7 grammes. So far as extension is concerned, this can be made to be anything that is needed in practice for most textile purposes at the expense of a certain amount of strength. The importance of this strength can only be properly assessed when it is considered that natural silk, which was at one time the strongest fibre known, has a strength of 3 to 3½ grammes per denier and the product which is known as nylon, and which has been given so much publicity, particularly in America in the last few years, has a strength of 4 to 6; that is to say, just about half the strength of our newest high tenacity yarns. Whilst natural silk was previously the finest known textile, with a filament denier of 1—that is to say about 10,000 yards weigh 1 gramme—our strong yarn can be produced in filament denier varying from ten to one hundred times finer than natural silk. Thus Celanese continues to lead in the textile world.

SYNTHETIC PRODUCTS

I indicated at the last meeting that we were busy on many other completely synthetic products, including those made from coal and hydrogen, with or without nitrogen, and that they also might be used in the textile industry for certain specific purposes. When I mentioned that, I had in mind amongst other synthetic products of various kinds the nylon products which fall into the category of products containing carbon, hydrogen and nitrogen.

Your company therefore will be in a position, based on its own processes and the products resulting therefrom, to produce them as the need arises. In this connection we are arranging to produce all the raw materials which are important from an economic point of view, in the form of the intermediate chemicals needed for such final textile or other products. Hence you will realise that we will be independent of any agreements of international character concerning profit participation, royalties, prices, licences, etc. Therefore we are also helping to make our country free from outside influences in this respect.

NYLON AND RUBBER

I have referred to the publicity in connection with nylon. Nylon is a word coined to describe a certain group of products the scientific name for which is "polyamides," and the originators of the name decided at the time that the word should not be protected as a trade mark, and therefore may be used without restriction by anybody. Our own products, while sharing all the textile properties of nylon, are distinct from a chemical point of view and also differ in other respects. You will appreciate that when we market our products we shall adopt our customary policy of using our own trade names.

Lately you have also heard that we are entering the field of synthetic rubber production. In this connection I confine myself to saying that we have been active in this field for many years, and all the known synthetic rubber products, and many up till now unknown, will be produced by us. That is as far as I can go to-day.

The American and Canadian companies continue to work satisfactorily, as you will have seen from the reports published from time to time in this country.

Before I close my remarks, I take this opportunity, with your consent, of thanking all our employees in our various factories and establishments throughout the country for all the work they have done under prevailing difficult conditions. Their effort has contributed substantially to the results achieved.

The report and accounts were adopted, and the re-election of the retiring directors and of the auditors concluded the proceedings.

ASSOCIATED TALKING PICTURES, LIMITED

SUCCESS OF STUDIOS COMPANY

The fourteenth annual general meeting of Associated Talking Pictures, Limited, was held, on the 22nd instant, at Ealing Studios, Ealing Green, London, W., Mr Stephen L. Courtauld, M.C. (the chairman) presiding.

The secretary (Mr L. F. Baker, A.C.A.) read the notice convening the meeting and the report of the auditors.

The chairman said: The report and balance sheet have now been in your hands for some days, and with your permission I will take them as read. (Agreed.) During the year under review the operations of your company have necessarily been restricted to the endeavours to obtain from your company's past productions as much revenue as possible by the re-issue of the older films. The results of these efforts are shown on the credit side of the profit and loss account, from which it will be observed that realised profit and sundry revenue total £39,240 19s. 5d. The balance of profit remaining in the company's hands after paying bank and debenture interest and all expenses amounts to just over £28,000, against which balance is charged £2,000 for the directors' fees and a further provision of £25,000 on account of the unascertained taxation liability of the company, leaving a balance of profit of £1,155, which has been deducted in the balance sheet from the very heavy adverse balance brought forward on profit and loss account. The shareholders will note that the directors' fees have not been formally waived this year, but provision has been made for them in the accounts, which course it is hoped will commend itself to the shareholders. It will be remembered that the directors have forgone their directors' fees for a very large number of years in the past.

TAXATION POSITION

Regarding the company's taxation position, shareholders will doubtless remember that when I had the pleasure of addressing them last year I took the opportunity of dealing in detail with the acuteness of the company's position in this respect. This position is at present receiving very earnest consideration and investigation both by your company's auditors and by consulting accountants who are engaged with the auditors on this matter. It still remains to be seen whether any easing of your company's burden can be obtained. In the meantime, it would appear from the information at present before your directors that such profits as may be made by your company are almost entirely dedicated to the payment of direct taxation charges in one form or another.

Regarding the subsidiary companies, Ealing Studios, Limited, has had a quite difficult, though successful, year, so far as its manufacturing programme was concerned. It will be appreciated that with the limited supplies of technical labour and of materials, prices necessarily show an upward tendency, and with the keen competition supported by large cash resources, which has been prevailing during the year under review for available sup-

plies, this tendency has been very marked indeed. The present cost of manufacture is fully twice that of pre-war or early war days, and although box-office takings are to-day higher than they were before the war, there is a grave danger in the present situation since it is patently obvious that a quite reasonable reduction in earning power will leave production companies with very high priced negatives on their hands, the costs of which cannot be recovered.

FAVOURABLE ACCEPTANCE OF FILMS

I am glad to be able to report that the films produced by Ealing Studios, Limited, have had a favourable acceptance both by the trade and the cinema-going public, and that company's efforts are still continuing, although the difficulties to which I referred earlier are almost daily on the increase. The films so manufactured are now being distributed in the United Kingdom by the other subsidiary company, now known as Ealing Distribution, Limited, the name having been changed during the year under review from the former name of Associated British Film Distributors, Limited. During the year under review, the distribution arrangements with United Artists Corporation, to which I referred two years ago, were terminated and satisfactory business is now being carried out by Ealing Distribution, Limited.

It is not possible to give any forecast of the future; this is an ever-changing industry, and it is at present beset by difficulties which are both numerous and complicated. I am sure that in the light of the vicissitudes of the past, shareholders will have a full appreciation of this.

Mr Reginald P. Baker, F.C.A. (managing director), moved the adoption of the report and accounts.

Mr Basil Dean seconded the motion, and it was carried unanimously.

The retiring directors, Mr Michael E. Balcon and Mr Roger F. Ould, were re-elected; the auditors, Messrs Layton-Bennett, Billingham and Company, were re-appointed; and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

J. BROCKHOUSE AND COMPANY, LIMITED

CONTINUED SUCCESS

The forty-sixth annual general meeting of J. Brockhouse and Company, Limited, was held, on the 22nd instant, at West Bromwich.

Mr J. T. Brockhouse, J.P., chairman and managing director, said that the balance-sheet showed the continued success of the company during the past year. It was essential that thought should be given to the methods that would be adopted in rebuilding the structure of trade after the war was won. Industry would have a large part to play, and it was only through industry that improved standards of life could be made a possibility.

They had a number of new products to bring on to the market. They would be introducing a range of municipal vehicles, and they felt that they had a large field to explore at home and possibly abroad.

with the patent Lewin road sweeper, the universal sweepers and the Lewin compressor refuse collectors. They had for many years been large producers of cold rolled steel sections, and the introduction of pre-fabricated building structures, particularly houses, had brought new and varied uses for that product. They were manufacturers of cooking stoves, cooking utensils, household baths and many other domestic products which undoubtedly would be in great demand after the war. For these reasons and others he did not see why the company should not continue to extend in the future as it had done during the past twenty years, in fact.

He thought it would be agreed that the consolidated balance-sheet and that of the parent company showed a considerably stronger position as the result of a satisfactory year's trading.

The report was adopted and the final dividend of 12½ per cent., making 20 per cent. for the year, was approved.

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY

MR A. O. LANG'S STATEMENT

The 103rd ordinary general meeting of the Peninsular and Oriental Steam Navigation Company was held, on the 22nd instant, in London.

The following is an extract from the statement of Mr A. O. Lang (deputy-chairman) circulated with the report.

The ships of the Mercantile Marine continued to be actively engaged in all theatres of war, and during the year under review the steadily increasing momentum of the Allied offensive has made demands on our ships even greater than hitherto. While shipowners are glad to make every possible contribution towards winning the war, it is only right to stress that the question of fleet replacement causes considerable apprehension. Compensation payable in respect of ships lost falls short of the cost of replacement, hence our "tonnage replacement reserve," large though it is, is insufficient for requirements, and it has been thought prudent to augment this by transferring a further £175,000 from profit and loss account. Our problems do not end with the replacement of ships that have been lost during the war; some of those that remain are approaching the end of their useful life and will likewise have to be replaced.

The profit and loss account on this occasion has been remodelled. Had the accounts submitted at this time, last year been drawn up on the basis now adopted, the profit for 1942 would have been £742,475, as compared with £787,768 for 1943. This improvement is due to the larger income from Government securities. The board is continuing to watch with vigilance the question of participation in post-war civil aviation, but it will be understood that until the Government policy is both settled and announced the company can make no definite plans. The report was adopted.

GOVERNMENT RETURNS

For the week ended Dec. 18, 1943, total ordinary revenue was £37,290,000, against ordinary expenditure of £104,706,000, and issues to sinking funds of £125,000. Thus, including sinking fund allocations of £9,540,735, the deficit accrued since April 1st is £2,323,665,000 against £2,197,134,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1943-44	Receipts into the Exchequer (£ thousands)			
		April 1 to Dec. 19, 1942	April 1 to Dec. 18, 1943	Week ended Dec. 19, 1942	Week ended Dec. 18, 1943
ORDINARY REVENUE					
Income Tax	117,500	376,978	473,188	14,410	10,514
Sur-tax	80,000	19,804	19,431	1,100	940
Estate, etc.	100,000	64,940	69,896	1,728	2,180
Duties	17,000	9,170	12,220	210	100
N.D.C.	500,000	19,848	22,139	322	540
E.P.T.	1,000	242,472	349,129	6,167	7,560
Other Inld. Rev.		320	238	10	...
Total Inld. Rev.	187,300	735,532	946,241	23,947	21,834
Customs	525,320	333,069	392,497	9,305	11,187
Excise	450,180	298,700	335,205	3,000	3,605
Total Customs & Excise	975,500	631,769	727,702	12,305	14,792
Motor Duties	25,000	6,497	5,253	...	...
Canadian Govt. Contribution	...	219,984	...	11,236	...
P.O. (Net Receipts)	400	10,400	...	3,100	...
Wireless Licences	4,700	2,610	2,690	...	...
Crown Lands	800	680	710	...	...
Receipts from Sundry Loans	4,100	2,436	4,541	39	22
Miscell. Receipts	24,000	75,843	54,889	684	642
Total Ord. Rev.	2907500	1683750	1742027	45,111	37,290
SELF-BALANCING P.O. & Brdcastg.	110,632	75,100	78,250	5,100	1,850
Total	3018132	1758850	1820277	50,211	39,140

Expenditure	Estimate 1943-44	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Dec. 19, 1942	April 1 to Dec. 18, 1943	Week ended Dec. 19, 1942	Week ended Dec. 18, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	375,000	252,318	281,123	3,052	3,150
Payments to N. Ireland	9,500	5,366	5,004	...	...
Other Cons. Fund Services	7,500	4,035	3,857	71	7
Total	392,000	261,720	289,984	3,123	3,156
Supply Services	536,671	361,042	376,617	10,960	10,150
Total Ord. Exp.	578,671	387,212	406,615	11,273	10,470
SELF-BALANCING P.O. & Brdcastg.	110,632	75,100	78,250	5,100	1,850
Total	589,303	394,722	414,440	11,783	10,656

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £24,770 to £2,788,381, the other operations for the week (no longer shown separately) raised the gross National Debt by £68,105,937 to £19,171 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	150
War Damage Act	429
Overseas Trade Guarantees	10
	589

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Tender	Tap	Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
				Public Depts.	Bank of England		
1942							
Dec. 19	1045-0			Not available			
1943							
Aug. 14	1170-0			"	"		
" 21	1170-0			"	"		
" 28	1170-0	1892-4	313-2	"	1045-0	4420-6	
Sept. 4	1170-0			Not available			
" 11	1170-0			"	"		
" 18	1170-0			"	"		
" 30	1170-0			259-5	1114-5	4452-8	
Oct. 9	1170-0			Not available			
" 16	1180-0			"	"		
" 23	1190-0			"	"		
" 30	1200-0	1872-3	326-5	16-7	1213-0	4628-5	
Nov. 6	1210-0			Not available			
" 13	1210-0			"	"		
" 20	1210-0			"	"		
" 27	1210-0	1868-9	363-6	27-0	1291-0	4760-5	
Dec. 4	1210-0			Not available			
" 11	1210-0			"	"		
" 18	1210-0			"	"		

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942				s.	d.
Dec. 18	75-0	137-4	75-0	20	1-64
1943					
Aug. 27	90-0	194-0	90-0	20	2-93
Sept. 3	90-0	200-4	90-0	20	2-40
" 10	90-0	193-3	90-0	20	2-57
" 17	90-0	183-6	90-0	19	11-10
" 24	90-0	188-8	90-0	19	10-97
Oct. 1	90-0	190-2	90-0	19	11-98
" 8	100-0	199-8	100-0	20	0-36
" 15	100-0	196-3	100-0	19	11-95
" 22	100-0	181-8	100-0	20	0-62
" 29	100-0	193-4	100-0	20	0-48
Nov. 5	90-0	213-1	90-0	20	0-04
" 12	90-0	197-5	90-0	20	0-29
" 19	90-0	190-4	90-0	20	0-23
" 26	90-0	197-1	90-0	20	2-93
Dec. 3	90-0	201-0	90-0	20	2-19
" 10	90-0	197-2	90-0	20	2-54
" 17	90-0	198-2	90-0	20	1-68

On Dec. 17th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted, as to about 17 per cent of the amount applied for, and applications at higher prices in full. £90 millions and applications are being offered on Dec. 24th. For the Treasury Bills are being offered on Dec. 24th. For the Treasury deposits to the maximum amount of £100 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.				3% Defence Bonds		3% Savings Bonds		2½% War Bonds 1952-54	
	£	s.	d.	p.	£	s.	£	s.	£	s.
Oct. 12	5,080	1,767	6,522	9,427						
" 19	5,055	1,518	4,161	9,785						
" 26	5,017	1,594	6,916	6,421						
Nov. 2	4,767	1,562	4,493	11,353						
" 9	5,147	1,861	5,690	23,049						
" 16	5,013	2,029	5,606	9,872						
" 23	4,459	1,897	5,512	6,383						
" 30	4,534	1,663	3,514	12,108						
Dec. 7	4,683	1,697	4,134	4,490						
" 14	4,115	1,555	3,482	13,913						
" 21	...	...	3,710	5,493						
Totals to date	985,628*	647,073*	1,423,578*	164,427*						

* 212 weeks. † 155 weeks. ‡ 16 weeks.
 † Including all Series.
 Interest free loans received by the Treasury up to Dec. 21st amounted to a total value of £2,255,809. Up to Nov. 27th, principal of Savings Certificates to the amount of £132,272,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

Date	Gold		Silver	
	Rs.	Tola	Rs.	Tola
Dec. 16	71	4	115	2
" 17	71	9	114	6
" 18	71	10	115	2
" 21	71	0	114	12

BANK OF ENGLAND RETURNS

DECEMBER 22, 1943

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1081,022,250	Other Govt.	
In Bank, Department	19,219,468	Securities	1088,239,694
		Other Secs.	733,152
		Silver Coins	12,054
		Amt. of Fid. Issue	1100,000,000
		Gold Coins & Bullion (at 168s. per oz. fine)	241,718
			1100,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	210,304,576
Rest.	3,289,805	Other Secs.	1088,239,694
Public Depts.	7,325,071	Advances	1,618,479
		Securities	15,768,939
Other Depts.	169,039,485	Notes	17,387,418
Bankers	53,743,104	Gold & Silver	19,219,468
Other Accts.	222,782,589	Coins	1,039,003
			247,950,465

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

COMPARATIVE ANALYSIS

(£ millions)

	1942	1943		
	Dec. 23	Dec. 8	Dec. 15	Dec. 22
<i>Issue Dept. :</i>				
Notes in circulation.....	920-6	1045-3	1067-0	1081-0
Notes in banking department.....	29-7	54-9	33-3	19-2
Government debt and securities*	947-9	1099-3	1099-3	1099-2
Other securities.....	1-3	0-7	0-7	0-7
Silver Coin.....	0-8	0-0	0-0	0-0
Gold, valued at s. per fine oz.....	0-2	0-2	0-2	0-2
	168-0	168-0	168-0	168-0
<i>Deposits :</i>				
Public.....	4-1	6-3	9-0	7-3
Bankers'.....	145-4	154-6	161-2	169-0
Others.....	48-0	52-6	55-6	53-7
Total.....	197-5	213-5	225-8	230-0
<i>Banking Dept. Secs. :</i>				
Government.....	160-8	150-6	191-1	210-3
Discounts, etc.....	3-5	8-2	2-0	1-6
Other.....	20-4	1-1	16-0	15-8
Total.....	184-7	174-9	209-1	227-7
Banking department, res.....	30-6	56-4	34-5	20-3
	15-4	26-4	15-2	8-8
"Proportion".....	15-4	26-4	15-2	8-8

OVERSEAS BANK RETURNS

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

	Sept. 30, 1942	June 30, 1943	July 31, 1943	Sept. 30, 1943
ASSETS				
Gold in bars	61.9	78.5	78.7	80.1
Cash	39.7	25.1	23.4	18.0
Sight funds	15.6	16.2	15.8	15.8
Commercial bills	111.1	125.5	123.3	123.5
Treasury bills	30.4	22.9	28.5	27.9
Time funds at interest	20.9	21.4	21.4	21.4
Sundry bills and invest.	200.4	196.8	192.7	197.7
LIABILITIES				
Deposits:				
Annuity	152.7	152.7	152.7	152.7
German	76.3	76.3	76.3	76.3
Central Banks	15.5	16.8	15.8	15.3
Other	5.7	1.0	1.3	1.2
Gold	33.8	39.4	40.9	40.8

AUSTRALIAN COMMONWEALTH

BANK—Million £A's

	Oct. 31, 1942	Sept. 30, 1943	Sept. 30, 1943	Oct. 4, 1943
ASSETS				
Gold and English ster.	29.11	38.27	38.27	38.98
Other coin, bullion, etc.	8.29	11.13	10.36	10.11
Call money, London	39.63	47.59	47.20	47.49
Secrts. and Treas. bills	139.27	221.67	226.51	226.66
Discounts and advances	22.23	20.52	20.07	20.45
LIABILITIES				
Notes issued	112.61	149.01	150.01	152.26
Deposits, etc.	152.80	171.34	172.63	172.20

U.S. FEDERAL RESERVE

Million \$'s

	Dec. 17, 1942	Dec. 2, 1943	Dec. 10, 1943	Dec. 16, 1943
12 U.S.F.R. BANKS RESOURCES				
Gold certifs. on hand and due from Treasury	20,561	19,738	19,696	19,645
Total reserves	20,878	20,203	20,168	20,137
Total cash reserves	296	307	293	299
Total U.S. Govt. sec's	5,537	10,447	11,061	11,014
Total bills and sec's	5,561	10,511	11,134	11,114
Total resources	28,440	32,619	33,118	33,622
LIABILITIES				
F.R. notes in circ.	12,019	16,343	16,528	16,636
Excess m. bank res.	2,540	1,100	920	1,240
Mr. bank res. dep.	13,517	12,562	12,569	12,932
Govt. deposits	14,693	14,466	14,919	14,933
Total deposits	28,440	32,619	33,118	33,622
Total liabilities	28,440	32,619	33,118	33,622
Reserve ratio	78.2%	65.6%	64.1%	63.8%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,744	22,065	22,044	22,004
Treasury & bank currency	3,440	4,101	4,102	4,097
LIABILITIES				
Money in circulation	15,092	19,940	20,135	20,235
Treasury cash and dep.	2,197	2,574	2,987	2,672

SWISS NATIONAL BANK

Million Swiss Frs.

	Oct. 31, 1942	Oct. 30, 1943	Nov. 6, 1943	Nov. 23, 1943
ASSETS				
Gold	3484.1	3896.4	3901.5	3901.5
Foreign exchange	87.3	77.0	79.4	8.9
Discounts, etc.	41.8	40.9	41.6	46.3
Advances	2.19	20.1	19.8	17.6
Securities	64.8	64.8	64.8	64.8
LIABILITIES				
Notes in circulation	2428.9	2872.9	2851.9	2842.9
Other sight liabilities	236.5	239.4	244.2	247.4

CENTRAL BANK OF IRELAND

Million £'s.

	Nov. 20, 1943	Nov. 27, 1943	Dec. 4, 1943	Dec. 11, 1943
ASSETS				
Gold	2.65	2.65	2.65	2.45
British Govt. sec's	23.15	23.40	23.40	23.55
Sterling balances	1.47	1.38	1.77	2.22
LIABILITIES				
Notes in circulation	27.40	27.56	27.96	28.44

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	Oct. 19, 1942	Oct. 4, 1943	Oct. 11, 1943	Oct. 18, 1943
ASSETS				
Gold and stg. excl.	30.20	29.70	30.46	31.15
Advances to State	26.96	40.84	40.17	39.25
Investments	4.15	10.32	10.32	10.32
LIABILITIES				
Bank notes	27.29	34.24	34.10	34.15
Demand liab. : State	9.04	15.49	15.63	15.45
Banks and others	24.01	30.96	30.43	30.11
Reserve to sight liab.	50.0	36.8	38.0	38.18
%	%	%	%	%

RESERVE BANK OF INDIA

Million rupees

	Dec. 11, 1942	Nov. 19, 1943	Nov. 26, 1943	Dec. 3, 1943	Dec. 10, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	444	444	444	444	444
Balance abroad	792	171	173	164	15.0
Sterling securities	3,828	6,848	6,848	6,607	130.7
Ind. Govt. rup. sec's	1,272	583	583	583	705.8
Investments	65	75	76	76	58.3
LIABILITIES					
Notes in circ. : India	5,583	7,947	7,944	8,044	8,156
Deposits : Govt.	242	678	731	574	28.1
Banks	54	802	841	944	96.0
Reserve ratio	75.2%	90.6%	90.6%	90.8%	91.1%

COMPANY RESULTS (December 8, 1943, to December 22, 1943)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.		£	£	£	£	£	£	%	£	£	£	£	%
Ansell's Brewery	Sept. 30	1,223,068	...	276,532	534,393	8,750	175,000	17 1/2	75,000	+ 17,782	1,116,775	264,068	17 1/2
Associated British Maltsters	Aug. 31	229,177	...	102,794	134,073	32,500	15,000	10	50,000	+ 5,294	189,682	43,438	10
Birkenhead Brewery Co.	Sept. 30	164,463	...	45,659	87,599	15,000	37,709	11	5,000	+ 2,950	185,733	46,327	11
Deuchar (Robert) Limited	Sept. 30	370,332	8,800	48,339	129,589	13,750	15,000	20 1/2	10,000	+ 9,589	372,114	64,597	20 1/2
Leeds & Wakefield Breweries	Sept. 30	283,823	...	73,623	121,915	29,500	24,000	12	21,281	+ 1,158	308,230	78,065	12
Levy (Frederick) & Sons	Sept. 30	175,809	20,944	39,856	92,347	3,937	25,000	33 1/2	10,000	+ 919	165,138	38,809	33 1/2
Noakes & Co. (H.) Limited	Sept. 30	64,508	...	13,782	25,320	6,250	5,500	50	...	+ 2,032	64,535	11,223	45 1/2
Simonds (H. & G.) Limited	Sept. 30	1,281,378	163,484	173,977	280,590	30,000	72,000	18	69,978	+ 1,996	1,222,379	164,166	18
Coal, Iron and Steel													
Lambert Brothers	June 30	146,102	...	65,226	185,987	5,156	42,187	15c	...	+ 17,883	146,260	49,489	15c
Ocean Coal & Wilson's	Mar. 31	343,247	...	163,150	396,389	42,440	114,059	5 1/2	...	+ 6,651	322,303	155,054	5 1/2
Financial, Land, &c.													
Beira (Port of) Development	Mar. 31	10,388	...	12,352	18,750	...	11,667	7d. ps	...	+ 685	20,704	9,262	7d. ps
Delagoa Bay Development	June 30	65,156	...	11,757	27,595	3,330	8,022	...	...	+ 405	64,946	11,445	...
First Garden City Limited	Sept. 30	27,304	...	32,013	61,327	7,500	12,500	5	10,000	+ 2,015	86,771	18,749	5
Heinemann Holdings	Nov. 30	13,047	...	10,631	13,409	3,981	3,750	10	...	+ 2,900	18,227	4,672	10
Jays & Campbells (Holdings)	Jan. 31	147,853	...	108,106	121,810	72,187	26,250	3	...	+ 9,669	57,408	57,100	3
Mutual Finance Limited	Sept. 30	4,487	...	3,088	Dr. 106,650	...	...	...	...	+ 3,088	1,461	446	...
New Zealand Loan & Mercantile	June 30	568,753	...	72,679	165,322	33,334	28,125	3	...	+ 11,220	520,872	65,395	3
Read's Drift Land Co.	Mar. 31	8,606	508	2,670	2,935	...	1,712	24 1/2	...	+ 958	3,664	762	24 1/2
Read's Drift Land Co.	Sept. 29	65,724	...	31,631	99,546	17,500	12,485	4	...	+ 1,746	51,524	17,929	4
Town Investments	Mar. 31	49,700	...	15,534	7,561	1,715	...	...	...	+ 8,359	19,998	12,036	...
United Motor Finance	Mar. 31	49,700	...	15,534	7,561	1,715	...	...	...	+ 8,359	19,998	12,036	...
Hotels, Restaurants, &c.													
Aerated Bread Co.	Oct. 2	591,500	70,000	78,904	136,532	23,808	48,075	7 1/2	...	+ 5,021	519,189	105,885	7 1/2
Oddenino's Hotel & Restaurant	Dec. 31	53,190	936	7,804	8,450	3,438	...	...	...	+ 4,407	40,855	2,834	...
Slaters & Bodegas	Sept. 30	160,066	1,910	90,418	Dr. 124,393	...	...	...	...	+ 90,418	154,466	Dr. 121,492	...
Motor, Aviation, &c.													
Dennis Brothers	Sept. 30	149,723	16,232	98,241	269,468	...	93,905	125	...	+ 4,336	160,246	94,071	125
Handley Page Limited	Dec. 31	146,408	...	145,158	183,094	9,958	74,679	25d	50,000	+ 10,521	149,883	148	25d
Henry's Limited	Aug. 31	193,690	1,881	20,792	92,324	7,032	4,500	20	...	+ 2,265	169,930	23,308	20
Miles Aircraft Limited	Sept. 30	15,432	...	31,137	38,190	...	24,663	5	12,000	+ 4,474	14,708	33,355	5
Rossleigh Limited	Sept. 30	12,711	1,830	2,888	61,889	300	3,000	5	...	+ 412	16,406	3,688	5
Standard Motor Co.	Aug. 31	222,521	...	152,118	167,262	...	90,000	25	50,000	+ 12,118	230,006	162,584	25
Rubber													
Anglo-Johore Rubber	June 30	628	...	Dr. 697	677	...	...	...	...	+ 697	8,296	Dr. 1,399	...
Incomati Estates	June 30	90,160	10,000	15,565	22,359	1,750	15,000	10	...	+ 1,185	82,051	23,984	10
Jura Estates	Mar. 31	315	...	Dr. 226	160	...	...	...	...	+ 226	4,072	2,341	...
Kuala Lumpur Rubber	Mar. 31	1,215	...	Dr. 727	2,144	...	...	...	...	+ 727	5,863	2,419	...
Kint (Malacca) Rubber	June 30	1,282	...	Dr. 3,639	10,156	...	...	...	...	+ 3,639	17,661	1,875	...
Tebrau Rubber	June 30	4,099	...	1,330	18,706	...	...	...	...	+ 1,330	15,754	9,121	...
Shipping													
Alexander Shipping Co.	Mar. 31	29,800	...	28,900	73,394	7,200	22,500	7 1/2	...	+ 800	31,806	30,906	7 1/2
British India Steam Navigation	Sept. 30	201,234	...	201,234	263,810	145,000	57,432	6	...	+ 1,198	203,737	203,737	6
Brynmor Steamship Co.	Mar. 31	31,667	...	9,230	42,590	3,000	6,000	8	...	+ 2,373	23,973	12,264	8
Peninsular & Oriental Steam Navig.	Sept. 30	2,698,512	805,900	537,768	699,157	76,000	183,701	8	250,000	+ 28,061	2,219,960	494,406	8
Silver Line Limited	Dec. 31	182,693	115,000	24,122	74,565	...	23,750	5	...	+ 362	277,716	75,696	5
Tea													
Caledonian (Ceylon) Tea & Rubber	June 30	19,709	1,743	6,287	7,034	1,920	2,625	7 1/2	1,500	+ 242	28,569	4,125	7 1/2
Jhanzie Tea	Dec. 31	148,024	...	33,422	52,391	...	31,350	7 1/2	...	+ 2,072	86,007	31,230	7 1/2
Yokai (Assam) Tea	Dec. 31	373,304	...	30,784	113,075	6,000	57,817	10	...	+ 3,033	225,194	65,785	10
Mini Mini (Nyasaland) Tea	June 30	14,088	...	5,048	6,579	...	3,969	18	1,291	+ 2,112	13,849	5,360	18
Namduang Tea	Dec. 31	75,693	...	12,091	29,240	...	8,210	10	...	+ 8,861	50,999	16,041	10
Textiles													
British Celanese	July 3	3,371,532	376,000	327,101	839,089	246,875	...	...	...	+ 80,226	3,152,859	403,495	...
Klinger Manufacturing Co.	Oct. 31	77,141	12,592	12,425	41,143	4,940	7,944	7 1/2	...	+ 4,481	115,950	18,401	7 1/2
Wilson, Smith & Sutcliffe	Sept. 30	13,896	1,800	5,000	7,149	...	750	5	...	+ 250	13,124	12,444	...
Tramway and Omnibus													
East Yorkshire Motor Services	Sept. 30	233,400	33,000	22,965	40,289	...	22,500	7 1/2	...	+ 465	240,496	21,427	7 1/2
Trusts													
London & New York Investment	Oct. 31	45,892	...	39,460	47,721	13,453	13,837	9	10,000	+ 2,170	42,758	36,281	9
London Scottish American Trust	Oct. 31	99,424	...	63,329	154,781	22,500	40,000	8	...	+ 829	99,353	62,521	8
New Mercantile Investment Trust	Dec. 1	168,830	...	61,783	134,208	...	41,500	4	37,962	+ 37,679	157,692	56,146	4
Scottish International Trust	Oct. 31	28,628	...	8,083	150,085	7,782	...	...	...	+ 66	27,513	7,464	...
Scottish Investment Trust	Nov. 5	16,113	...	45,400	89,444	3,875	5,167	4	20,000	+ 14,642	153,349	40,982	4
Second British Steamship Trust	Dec. 1	80,539	...	24,978	66,733	9,844	12,797	6 1/2	...	+ 2,337	78,047	23,572	6 1/2
Second City & Commercial Investment	Sept. 30	41,803	...	18,884	28,392	...	16,808	2 1/2	...	+ 3,338	39,197	18,294	2 1/2
South Western Investment Trust	Oct. 31	6,153	...	2,725	10,601	3,063	...	...	...	+ 338	6,714	2,366	...
Trans-Oceanic Trust	Oct. 31	63,791	...	20,302	28,033	15,937	2,225	1	...	+ 2,140	60,387	18,044	1
Other Companies													
Airports Limited	Sept. 30	56,580	...	13,122	26,987	...	7,393	6	5,000	+ 729	42,443	6,687	6
Albion Drop Forgings	Sept. 30	22,907	5,415	15,385	19,246	...	9,375	12 1/2	...	+ 6,010	16,071	10,463	12 1/2
Asaph (William)	Aug. 31	103,230	...	21,439	44,858	6,623	2,039	5	10,000	+ 2,777	138,934	21,876	5
Associated Picture Palace	June 30	39,246	...	1,156	Dr. 186,124	...	...	...	...	+ 1,156	107,115	2,497	...
Atlas Steel Foundry	Sept. 30	34,064	4,881	29,183	32,661	...	23,906	42 1/2	...	+ 971	31,110	26,510	42 1/2
Avon India Rubber	Oct. 2	368,872	29,252	42,024	53,932	7,500	14,842	10	...	+ 19,682	291,739	37,490	10
Blackburn (Thomas) & Sons	June 30	42,855	6,805	10,566	13,592	2,800	4,875	7 1/2	4,000	+ 109	73,736	10,670	7 1/2
Blackpool Tower Co.	Oct. 31	89,590	30,000	49,590	90,783	1,200	46,406	22 1/2	...	+ 1,984	90,609	50,610	22 1/2
Blackpool Winter Gardens	Oct. 31	52,598	30,000	12,798	23,509	...	9,113	22 1/2	...	+ 985	65,169	13,425	22 1/2
British Benzol & Coal Distillation	Oct. 31	84,215	...	30,371	89,444	...	11,875	15	6,000	+ 4,996	96,309	10,077	15
Brookhouse (J.) & Co.	Sept. 30	181,447	27,810	124,793	226,230	750	86,182	20	...	+ 37,859	183,541	90,469	20
Burtol Clothing Limited	Sept. 30	27,788	1,874	10,138	17,534	...	4,167	16 1/2	3,000	+ 1,711	31,500	8,139	16 1/2
Butter Machine Tool Co.	Sept. 30	97,348	13,792	44,412	61,700	6,255	25,000	12 1/2	13,425	+ 268	102,331	33,522	12 1/2
Butter Clothing & Belting	Sept. 30	168,468	7,430	57,778	80,847	7,312	25,355	12 1/2	25,000	+ 111	159,324	53,742	12 1/2
Carreras Limited	Oct. 31	3,692,369	43,980	742,279	1,048,937	65,000	557,212	30	100,000	+ 20,067	3,122,625	565,708	30
Leaveland Bridge & Engineering	Sept. 30	22,107	4,760	14,883	21,855	1,232	13,353	4 1/2	2,000	+ 1,502	31,676	17,060	4 1/2
Onstable, Hart & Co.	Sept. 30	12,657	...	10,331	31,451	...	10,744	8	...	+ 413	17,464	14,821	8
Onion Brick Co.	July 31	5,149	878	244	Dr. 5,120	...	...	...	...	+ 244	209	Dr. 5,604	...
Purman Paper Mills	Sept. 30	15,064	12,000	17,581	27,955	17,563	6,019	5	...	+ 614	12,136	126	...
Quoad & Williams & Sons	Aug. 31	74,045	6,196	21,439	4,746	...	...	...	...	+ 1,157	74,132	17,119	...
Roode, Durrant & Murray	July 20	51,595	...	23,088	32,676	13,475	7,328	24	...	+ 2,285	61,182	28,292	24
Scott Haggie (R.) & Son	Oct. 31	45,318	15,000	28,319	91,526	2,000	15,000	12 1/2	10,000	+ 1,319	43,620	27,120	12 1/2
St. James (Bernard)	Oct. 30	9,508	2,000	4,013	10,716	1,050	2,450	10	...	+ 513	8,945	4,074	10
St. James Limited	Oct. 31	108,949	...	12,059	12,657	7,3							

(Continued from page 860)

14%. Treasury Bills: 2 months, 1-1/2%; 3 months, 1-1/4%. Day-to-day money, 1-1/4%. Short Loans, 1-1/4%. Bank deposit rates 1/2%. Discount deposits at call 1/2%; at notice 1/2%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Dec. 17th and Dec. 23rd. (Figures in brackets are par of exchange.)

United States. \$ (4-86 1/2) 4-02 1/2-03 1/2; mail transfers 4-02 1/2-03 1/2. **Canada.** \$ (4-86 1/2) 4-43-47; mail transfers 4-43-47 1/2. **Switzerland.** Francs (25-22 1/2) 17-30-40. **Sweden.** Krona (18-159) T.T. 16-85-95. **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 4-02-04 1/2. **Brazil.** 83-64 1/2 cr. (buying). **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. **Spain.** Peseta 40-50 (Official rate). **Turkey.** Piastres 520. **Italy.** L. 1-25 lire.

Market Rates.—The following rates remained unchanged between Dec. 17th and Dec. 23rd.

Egypt. Piastres (97 1/2) 97 1/2-1. **India.** Rupee (18d. per rupee) 17 1/2-18 1/2. **Belgian Congo.** Francs 176 1/2-1. **China.** National \$3-3 1/2. **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: 16-03 pesos.

Forward Rates.—Forward rates for one month have remained unchanged as follows: **United States.** 1/2 cent pm-par. **Canada.** 1/2 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 ore pm-par.

NEW YORK EXCHANGE RATES

New York on	Dec. 15	Dec. 16	Dec. 17	Dec. 18	Dec. 20	Dec. 21	Dec. 22
Cables:—							
London	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
Montreal	89 3/10	89 5/10	89 5/10	89 5/10	89 5/10	89 5/10	89 5/10
Zurich	42-50	43-50	43-80	43-80	43-80	43-80	43-80
B. Aires	25-07*	25-07*	25-15*	25-15*	25-13*	25-13*	25-12*
Rio	5-16	5-16	5-16	5-16	5-16	5-16	5-16
Lisbon	4-10	4-10	4-10	4-10	4-10	4-10	4-10
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official buying rate 29-78.

† Free rate.

§ Bid.

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
17	3,921	4,668	102-1 134-1
18	3,957	3,848	102-1 134-1
20	4,803	3,705	102-1 134-1
21	3,420	4,811	102-4 134-1
22	3,022	3,550	102-6 134-1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106-1 (Oct. 1); lowest, 94-1 (Jan. 4). 20 Fixed Int., 1943: highest, 136-8 (Jan. 22); lowest, 133-1 (Sept. 8).

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

AGGREGATE ASSETS
at 31st March, 1943
£67,128,395

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.

New York

STANDARD STATISTICS INDICES
DAILY AVERAGE OF 50 COMMON STOCKS

1943	Average	Transactions	1943	Average	Transactions
Dec. 9	113-3	856,000	Dec. 13	113-9	731,000
" 10	113-9	867,000	" 14	113-5	683,000
" 11	114-1	424,000†	" 15	113-4	664,000

1943: High, 125-4 (July 14); Low, 99-3 (Jan. 2). † Two-hour session

(WEEKLY AVERAGES) (1935-36=100)

	1943	Dec. 1, 1943	Dec. 8, 1943	Dec. 15, 1943
Low	Jan. 6			
High	July 13			
Industrials	81-1	133-5	91-2	94-2
Utilities	72-6	99-9	85-2	86-4
Bonds	67-9	89-6a	84-5	85-9
419 Stocks	78-5	100-9	89-7	92-5
Av. yield %	5-36	4-35	5-01	4-84

* Common Stocks.

(a) Aug. 25.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
December 25, 1943	£120,000	£120,000	£120,000

By Permission to Deal. Particulars of Government issues appear on page 861.

Year†

1943: 1,603,632,037 1,578,681,74

1942: 1,484,775,190 1,436,916,41

Destination*

Nature of Borrowing*

Year†

1943: 1,575,574,644 2,668,427 638,677 1,566,977,683 2,247,701 9,656,36

1942: 1,436,063,884 774,216 78,315 1,428,858,958 988,562 7,068,81

* Conversions Excluded. † Includes Government issues to December 14, 1943, only.

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

INDUSTRY AND TRADE

Tomatoes.—During the 1943 tomato season, 230 million lb of tomatoes were distributed through the Ministry of Food's distribution associations. This is the equivalent of 5 lb. per head of the population, and an increase of 40 per cent. of the 1942 figure of 166 million lb. The large increase in the quantity distributed through the associations was due to the fact that this year the associations were compulsory, but in 1942 they were voluntary.

"The Economist" Sensitive Price Index.—The index (1935=100) remained unchanged during the week to December 22nd and was as follows:—Crops, 122.9; raw materials, 182.3; complete index, 149.7.

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 Square, W.1.

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)

APPOINTMENT. Robson, Morrow & Underwood have a vacancy for an outstanding man, Chartered Accountant, who is interested in being trained in the installation of modern accounting methods. Four figure commencing salary and excellent prospects. Mark envelope "Application." Full particulars to Robson, Morrow & Underwood, Victoria Station House, Victoria Street, London, S.W.1.

COMPANY requiring investment in ships Mortgages invite applications from accountants. Write Box 119, The Economist, Brettenham House, Lancaster Place, W.C.2.

THE ECONOMIST
BANKING SUPPLEMENT

VOL. CXLV]

NOVEMBER 13, 1943

[No. 5229]

CONTENTS

LEADING ARTICLES

	PAGE		PAGE
Problems of Liquidity	1	Return to Foreign Banking	3
STATISTICAL SECTION			
British Banking Results	5-19	Dominion and Foreign Banks	20-24

Problems of Liquidity

THERE was some apparent increase in the rate of bank credit expansion over the past year. Taking the clearing bank figures to the September returns, the expansion in deposits over the preceding year amounted to £379 million, compared with £244 million for the previous twelve months. This acceleration in the expansion of bank credit is largely corrected if allowance be made for the influence of tax reserve certificates on bank deposits. This particular form of borrowing was primarily intended to tap funds which, but for their investment in these certificates, would to a large extent have accumulated in bank deposits in anticipation of tax payments. From their issue up to the end of September, 1942, these certificates had accumulated to a total of £377 million. In the subsequent twelve months the further accumulation amounted to £205 million only. Allowing for this factor, therefore, it will be found that the forces determining the rate of credit expansion over the past year were operating with a vigour approximately equal to that of the preceding year.

What is true of the growth of bank credit over the past two years is also true of the influence at work behind that expansion. It is again deficit financing which has provided the whole of the motive power. This is almost certain to remain the position until the end of the war, and it is a state of affairs which promises to project itself well into the years of peace. There has, however, been some marked divergence in the distribution of bank assets of course, has followed dutifully in the steps of the expansion of deposits. Though more will be said later about changes in the true cash ratio, that shown by the published figures shows no net change over the twelve months in question, beginning at 10.4 per cent and ending exactly on the same figure. The authorities evidently take good care to create just as much bank cash as will support the pyramid of credit which the banks' participation in deficit financing demands. Apart from this the past year's changes in bank assets contrast sharply with those of the previous year. The most notable difference is the much reduced increase in the banks' holding of investments. The past twelve months' increase in this item, £63 million, is by far the smallest yearly increase since the first year of the war. It compares with an increase of £157 million in the year to September, 1942, and of £242 million in the year to September, 1941. The banks' direct participation in the various savings campaigns has been on a much reduced scale during the past year. This

is a matter on which congratulations may be handed to all concerned. There should be a saturation point to the banks' holding even of medium-dated Government issues, whether the position be viewed from the angle of the nation as a whole or of the banks and their depositors. Even allowing that the banks are protected by maturity dates and that there is little serious danger to cheap money "in our time," medium-dated Government stock is far from the ideal counterpart to deposits repayable on demand or comparatively short notice, and when the investments dominate the balance sheet as they do today and represent no less than 31 per cent of these deposits, the purist may be forgiven a frown.

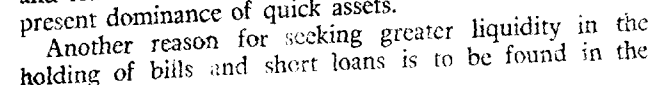
Loans and advances continue to decline over the past year, but at a much slower pace than that maintained in any comparable period of the war. The drop of £41 million in this item over the twelve months to last September reflects the further contraction in the private sector of the industrial front and, at the same time, the smoother running of the progress payments system by which the various supply departments provide war industry with the bulk of its requirements of working capital. The drop in bank advances would have been sharper during the past year had a certain type of advance, that granted to finance tax payments, not increased relatively to the whole. This development must be connected with the wording of the Finance Acts defining EPT standard profits. In so far as bank loans are held to be "capital employed in the business" for the purpose of arriving at the standard profit, firms liable to EPT have been encouraged to meet their tax liabilities at the earliest moment, even anticipating them as far as possible, and doing so with the help of bank finance. There have also been cases of firms liable to EPT accumulating tax reserve certificates and, though not doing so directly with the help of bank loans, nevertheless showing some expansion in these loans concurrently with their acquisition of these new securities. In such cases, the borrowing firm will have borrowed from its bankers in the normal course of business, but by so doing will have financed with bank credit requirements which it could have financed from its own internal resources had it not at the same time acquired these highly attractive Government securities. The more fundamental and long-term factors making for a contraction of bank advances have, however, more than neutralised these rather spurious stimulants.

With bank credit continuing to expand, with invest-

banks have little to say. In view of this special character of what is now much more than half of their liquid assets, the banks have been compelled to enhance the liquidity of their other quick assets—bills and short loans. For some time past it has been evident that the banks have been buying bills of increasingly short currency. Before the war when the banks entered into their self-imposed ordinance not to buy Treasury bills from the discount market until these bills had run for one week of their three months' currency they set what was at the time not only the maximum, but the minimum currency of the bills they purchased. Discount houses, in those days, automatically assumed that they would hold for one week the bills they tendered for and would then resell them to the banks. This accepted practice was only broken in the case of exceptional maturities which the discount market wished to keep for special reasons. It continued until TDRs became the preponderant item in the banks' quick assets. Since then the banks' appetite for bills has waned and their purchases have revealed increasing fastidiousness in the matter of the currency of the bills purchased. It is now the general experience of market houses to run Treasury bills for four to six weeks before these become sufficiently short to tempt the clearing banks. If the banks buy bills having on the average, six weeks to run instead of twelve weeks as was the practice until 1941, they will have twice as great a flow of maturities from a given holding of bills. It is this fact and the greater possibilities it gives the bank of adjusting their cash position by manipulating their bill maturities and purchases which is responsible for the changed practice in the banks' bill operations. Another factor favouring the holding of shorter dated paper is the new technique of open-market operations by the Bank

* 95 per cent. of figures in preceding column

Although TDR's are always included in quick assets, their claim to that position must be hedged with certain reservations. The first is on the score of their non-negotiability. The fact that they cannot be transferred from bank to bank must detract somewhat from their



WILL London after the end of this war resume its rôle as an international financial centre? It is very much to be hoped that it will, for the nation will urgently need the foreign exchange income represented by banking services before the war. But while there can be little difference of opinion on the desirability of recapturing this credit business, there may be more serious doubts about the ability of this country to command the foreign exchange resources and to expect the freedom of foreign exchange dealings which are essential pre-requisites to any claim to be an international financial centre. There is perhaps a tendency to exaggerate the damage which has been done to the British foreign banking machinery and therefore to be unduly frightened of the task of reconstruction. The mechanism is still there and largely intact. The merchant banks and acceptance houses may be marking time, but, for the most part, their resources are intact, their personnel, though now largely engaged in Government work, can be rebuilt at comparatively short notice, and contacts with their specialised overseas markets are likely to be restored with a minimum of delay after the end of the war. The joint-stock banks have maintained their foreign departments, and though these may be but a shadow of what they were before the war, they are capable of rapid expansion. Most of the overseas banks which were represented by branches in London still have their offices here. Some are concerned with little more than the care-taking of blocked resources, others, like some of the Empire banks, probably handle a larger turnover of money than has ever before passed through their hands. The discount market retains its machinery intact, and possesses a capital structure stronger than it has ever seen in the past. The flair for commercial paper may have to be re-learned, but there are old hands in the market to whom the tradition has been safely entrusted.

Not only is the structure intact, it is still employed on overseas finance, though on a scale that must seem very modest in comparison with pre-1939 and, even more markedly, with pre-1931 standards. The intrusion of the Government in foreign trade has, to some extent, ousted the normal machinery for the financing of that trade. The bulk purchase of the Australian wool clip,

During the past year, therefore, the fall in advances and the slower rate of accumulation of investments—the first phenomenon lying outside the banks' initiative and the second within it—have compelled the banks to concern themselves increasingly with problems of liquidity. Thanks to the steady expansion in the volume of bank credit, the increased diversion of resources to the more liquid assets has probably had little effect on banking profits. By their decision not to plunge too deeply in the gilt-edged market and thus to stabilise their earnings (though these are still well short of their EPT standards) the banks have given evidence not only of sound financial judgment but of good and farseeing political sense.

is thus allowed to proceed with its operation. Two main types of foreign credits are barred by the regulations. The first is "clean credits," that is, acceptance or overdraft facilities to which no commercial transaction is definitely related. The second is the credit financing trade between two foreign countries. No unnecessary tears need be wasted on the first type. Too often it belied its "clean" name. It was responsible for much of the debasement of the acceptance credit in the inter-war period and for a great deal of the bad and frozen debts left by the 1931-32 defaults. The second loss is more serious, though perhaps inevitable in the present circumstances. London's greatness as an international financial centre was best symbolised by this ability to finance trade which never approached the shores of this country—wool from Australia to Japan, timber from Canada to Chile, rubber from Malaya to the United States, cereals from the Argentine to the Continent of Europe. That type of credit is so obviously incompatible with control of exchange, and with the accompanying physical control of the underlying commercial transactions, that it must be regrettably turned down for the duration. Another reason for its temporary abeyance is the impossibility of fitting it into the exchange controls operated by the two overseas countries directly concerned in each of the commercial transactions in question. The loss of this business is as much the result of other countries' exchange controls as of our own.

The prospects for post-war recovery of this financial business are conditioned firstly by the character of the foreign trade which will prevail, and secondly by the system of sterling exchange control which will have to be extended into the years of peace. As to the first, it is difficult at the moment to predict with any confidence. It is clear that a system of foreign trade in which large bulk transactions were left to Governments or their agents would provide a less fruitful sphere of operations for international banking than a system wholly operated by private enterprise, even though, as present experience shows, it would not altogether remove the need for private bank facilities in the financing of international trade. The type of sterling exchange control operated after the war will to an appreciable extent determine whether or not sterling is to be superseded as the dominant currency of international commerce. It should be possible to make the control of capital movements compatible with freedom for recognised banks to engage in international credit business, without having to submit each operation to the prior approval of the authorities. It is certainly the intention of those now operating exchange control that this compromise of freedom with control should obtain. The gradual application of sterling exchange during the early months of the war was held back by what was perhaps excessive concern for the reputation of sterling as an international currency. The recent relaxations in the control show that this concern is still very much alive. The authorities realise that no bank indulged in foreign credit business unless drawn to it by the fairly confident hope of gain. There is no intention to sacrifice that profit merely for the bureaucratic pleasure of saying "No." It is thus probable that as the need for the present rigours of control over exchange operations declines, authorised banks will be given increasing freedom to engage in foreign credit business.

This, however, assumes that this country will have the wherewithal to grant short-term banking credits after the war. The actual current surplus required for this purpose need not be substantial, as the previous experience of the London money market has shown that an international centre tends to attract as much in foreign deposits as it makes available through acceptance and other short-term credits. But a certain margin of claims on other countries is essential, and in order to ensure this margin after the war it will be essential to fund or otherwise deal with the abnormal sterling balances of overseas countries which will be among the more striking financial relics of the war. Even without the surplus which Britain commanded in its heyday as a financial power, the mechanism of the London foreign banking

system could still be made to work with the help of external resources. There is no reason why the accumulated knowledge of its specialist banking houses and the mechanism of its discount market should not be used, to the advantage of all, for the distribution of credit originating from American banks—or from the reconstruction bank, of which the outlines have already been sketched by the US Treasury experts. This mainly redistributive function might not prove so remunerative as business done by London on its own account, but it would be better than nothing, and it would keep in being one of this country's most efficient assets.

The type of credit that should be made available must to some extent depend on the character of the trade which it will be called upon to finance. In particular, it must depend on whether Governments or private firms handle the trade, and on the duration of the self-liquidating transactions comprised in it. The main contest will be between cash advances and acceptance credits. Both have their points, but the acceptance credit has the great advantage of being ultimately carried by the discount market, one of whose functions it is to collect the surplus funds of foreign banks. The typical bill on London may be shortened from three months to one, given the accelerated tempo of foreign trade, but it is to be hoped that even in this shortened form it will return. Special care will have to be taken to ensure that the credits granted underlie genuine commercial operations. The "clean credit" now barred by the exchange control regulations should be barred for good. Closer supervision over the way in which the proceeds of foreign credits are used should be one of the objectives of closer collaboration between the central banks of the countries concerned.

If there is to be a concerted effort to rehabilitate London's preeminence as an international banking centre after the war, to which institutions should the main effort be entrusted? To the specialist merchant banks and acceptance houses, or to the joint-stock banks? The task will probably call for an all-out effort on the part of all banks with the requisite machinery and tradition. In this matter the Bank of England might give a clear lead. There is still a tradition in this country which holds that a joint-stock bank's overriding responsibility is to its depositors and that, therefore, it should avoid all external entanglements. A hint of that attitude is still apparent in the Bank of England's treatment of banks which operate overseas. The fact that until quite recently such bills were not regarded as eligible for discount at the Bank held an implied disapproval of foreign entanglements which might be reconsidered in the light of the task that lies ahead. It is to be hoped that the specialist institutions will be in the van of the return to foreign banking. Their knowledge of foreign markets, their close relations with local banks, the larger proportion of their own resources with which they work, fit them especially for this type of banking. But the defaults of 1931, the losses on standstill bills taken in 1939 and four years of comparative inactivity since then may have affected the ability of these firms to shoulder the whole responsibility of reconquering the lost ground. The joint-stock banks should be expected and encouraged to play their part, though with a discretion greater than was displayed in certain isolated instances between 1925 and 1931. The opportunities provided by the return of foreign banking will be great. The effort to secure them should match the prize at stake.

In normal times *The Economist* published a **BANKING SUPPLEMENT** twice a year. Although many of the more important topics were dealt with in both supplements, the Spring Supplement was chiefly concerned with banking in the British Isles and the Autumn Supplement with overseas banks. This precedent will no doubt be re-established after the war. In the meantime, the present Supplement has to do duty for both. Even so, it has been found necessary greatly to curtail both the articles and the statistical tables and to omit advertisements altogether.

BANK OF ENGLAND END OF YEAR POSITION

END OF YEAR POSITION																		
Last Return of Year	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS							
		Capital	Per Cent.	Reserve	Per Cent.	Note Circulation	Per Cent.	Post Bills	Per Cent.		Deposits	Per Cent.	Coin and Bullion	Per Cent.	Govt. Securities	Per Cent.	Other Securities	Per Cent.
1925	10	14,553,000	4.4	3,344,666	1.1	144,730,510	43.6	2,021	...	169,044,292	51.0	331,674,489	144,556,367	43.6	83,837,526	25.3	103,280,596	31.1
1930	9	14,553,000	2.7	3,400,255	0.6	368,801,566	65.5	1,264	...	175,189,157	51.2	561,945,242	152,640,187	27.2	325,174,789	57.8	84,129,666	15.1
1932	9	14,553,000	2.7	3,430,563	0.6	371,193,057	69.4	1,510	...	145,035,194	27.2	534,213,324	124,309,107	23.3	368,598,410	69.0	41,305,807	7.5
1933	9	14,553,000	2.5	3,421,526	0.6	391,981,846	68.7	1,429	...	159,916,147	28.2	569,873,948	195,228,035	34.3	342,245,007	60.0	32,400,906	5.0
1934	9	14,553,000	2.6	3,436,737	0.6	405,163,800	72.5	...	...	135,422,521	24.3	558,576,058	195,234,129	35.0	344,114,924	61.6	19,221,005	3.0
1935	9	14,553,000	2.6	3,448,981	0.6	467,406,210	67.5	...	...	121,335,662	21.5	563,822,428	201,914,149	35.8	339,211,232	60.2	22,697,047	3.7
1936	9	14,553,000	2.1	3,451,737	0.5	505,317,131	73.0	...	...	202,185,316	29.9	687,317,263	314,223,879	45.7	334,332,960	48.6	38,760,424	5.2
1937	9	14,553,000	2.1	3,441,563	0.5	505,317,131	73.0	...	...	168,591,894	24.4	691,903,588	327,243,763	47.2	334,300,927	48.4	30,358,898	4.0
1938	9	14,553,000	2.2	3,413,438	0.5	504,726,803	74.6	...	...	153,719,303	22.7	676,412,538	327,486,956	48.4	298,881,653	44.2	20,043,929	2.4
1939	9	14,553,000	1.9	3,362,072	0.5	554,615,983	72.8	...	...	189,080,914	22.5	761,611,969	1,919,484	0.2	727,806,514	95.6	31,985,371	4.0
1940	9	14,553,000	1.7	3,313,330	0.4	616,904,239	74.0	...	...	199,465,436	23.9	834,236,005	1,156,056	0.1	804,903,266	96.5	28,176,683	3.4
1941	9	14,553,000	1.4	3,297,345	0.3	751,725,855	71.3	...	...	285,164,092	27.0	1,054,740,303	556,270	0.1	1,018,581,594	96.5	35,602,133	4.0
1942	9	14,553,000	1.2	3,509,220	0.2	823,429,669	75.6	...	...	281,232,983	23.0	1,272,254,872	1,872,093	0.1	1,191,037,797	97.4	30,514,989	3.0

BANK RATE SINCE 1859

Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average
1859 ...	5	4	2½	3 s. d.	1880 ...	2	3	2½	3 s. d.	1901 ...	6	5	3	3 s. d.	1922 ...	4	5	3	3 s. d.
1860 ...	11	6½	3	4 5 7	1881 ...	2	3	2½	3 s. d.	1902 ...	3	4	3	3 s. d.	1923 ...	1	5	3	3 s. d.
1861 ...	11	6½	3	4 5 7	1882 ...	6	6	3	3 s. d.	1903 ...	3	4	3	3 s. d.	1924 ...	None	4	4	4 0 0
1862 ...	12	8	3	4 8 3	1883 ...	6	6	3	3 s. d.	1904 ...	2	4	3	3 s. d.	1925 ...	4	5	4	4 11 0
1863 ...	15	9	3	4 8 3	1884 ...	7	5	2	2 s. d.	1905 ...	3	4	2½	3 0 2	1926 ...	None	4	5	5 0 0
1864 ...	15	9	3	4 8 3	1885 ...	7	5	2	2 s. d.	1906 ...	6	6	3½	4 5 4	1927 ...	1	5	4	4 13 0
1865 ...	16	7	3	4 15 5	1886 ...	7	5	2	2 s. d.	1907 ...	7	7	4	4 15 3	1928 ...	None	5	4	4 10 0
1866 ...	14	10	3½	6 19 0	1887 ...	7	5	2	2 s. d.	1908 ...	6	7	2	3 s. d.	1929 ...	5	6½	4	5 10 0
1867 ...	3	3	2	2 10 10	1888 ...	8	6	2½	3 11 1	1909 ...	9	5	3	3 14 5	1930 ...	4	5	3	3 8 5
1868 ...	2	3	2	2 10 10	1889 ...	11	6	3	4 10 6	1910 ...	4	4½	3	3 9 4	1931 ...	6	6	2½	3 0 0
1869 ...	10	5	2½	3 2 0	1890 ...	11	6	3	4 10 6	1911 ...	4	5	3	3 15 5	1932 ...	None	2	2	2 0 0
1870 ...	10	5	2½	3 2 0	1891 ...	12	5	2½	3 6 5	1912 ...	4	5	3	3 15 5	1933 ...	None	2	2	2 0 0
1871 ...	10	5	2½	3 2 0	1892 ...	4	3½	2	2 10 5	1913 ...	2	5	4½	4 15 1	1934 ...	None	2	2	2 0 0
1872 ...	14	7	3	4 1 11	1893 ...	12	5	2½	3 1 4	1914 ...	8	10	3	4 0 9	1935 ...	None	2	2	2 0 0
1873 ...	24	9	3	4 15 11	1894 ...	2	3	2	2 0 0	1915 ...	None	5	5	5 9 3	1936 ...	None	2	2	2 0 0
1874 ...	13	6	2½	3 13 10	1895 ...	None	3	4	2 9 7	1916 ...	1	6	5	5 9 3	1937 ...	None	2	2	2 0 0
1875 ...	12	6	2	2 12 2	1896 ...	3	4	2	2 12 9	1917 ...	2	6	5	5 3 0	1938 ...	None	2	2	2 0 0
1876 ...	5	2	2	2 18 0	1897 ...	6	4	2	2 12 9	1918 ...	None	5	5	5 0 0	1939 ...	3	4	2	2 0 0
1877 ...	7	5	2	2 15 7	1898 ...	6	4	2½	3 4 11	1919 ...	1	6	5	5 0 0	1940 ...	None	2	2	2 0 0
1878 ...	10	6	2	2 15 7	1899 ...	6	6	3	3 15 1	1920 ...	1	7	6	6 14 4	1941 ...	None	2	2	2 0 0
1879 ...	5	5	2	2 10 3	1900 ...	6	6	3	3 19 3	1921 ...	4	7	5	6 2 4	1942 ...	None	2	2	2 0 0

POSITION OF THE BANK OF ENGLAND, SEPTEMBER 16, 1942, TO SEPTEMBER 8, 1943

(000's omitted)

Date	Issue Department		Banking Department			Bank Rate	Issue Department		Both Depts.		Banking Department			Reserve and "Proportion"
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		Govt. Debt and Securities	Other Securities	Gold Coin and Bullion	Govt. Securities	Discounts and Advances	Other Securities		
1942	£	£	£	£	£	%	£	£	£	£	£	£	£	%
Sept. 16 ...	880,242	831,120	8,143	137,983	47,398	2	877,199	1,542	1,392	136,012	3,989	21,305	50,300	25.9
23 ...	880,242	831,756	11,807	134,712	46,873	2	877,130	1,611	1,405	134,737	4,147	22,870	49,600	25.6
30 ...	880,242	838,029	10,264	135,710	51,510	2	877,206	1,530	1,616	140,867	2,365	28,780	43,600	22.0
Oct. 7 ...	880,242	843,242	5,769	138,244	50,194	2	877,093	1,643	1,546	148,437	3,384	21,748	38,300	19.7
14 ...	880,242	846,276	8,159	135,306	52,002	2	877,281	1,459	1,567	154,777	2,436	20,691	35,200	18.0
21 ...	880,242	847,030	7,249	138,732	51,914	2	877,271	1,467	1,601	151,323	2,479	20,245	34,500	17.4
28 ...	880,242	851,175	3,755	143,100	48,902	2	877,349	1,388	1,652	158,122	2,572	20,245	34,500	15.7
Nov. 4 ...	880,242	858,095	21,647	142,932	48,627	2	877,312	1,427	1,650	174,198	2,779	21,708	23,600	12.5
11 ...	880,242	863,200	7,164	145,721	46,483	2	877,377	1,362	1,650	174,198	2,779	21,708	23,600	9.2
18 ...	880,242	865,235	8,178	145,721	46,483	2	877,377	1,362	1,650	174,198	2,779	21,708	23,600	9.2
25 ...	880,242	870,033	7,730	148,793	46,311	2	877,566	1,174	1,380	187,993	2,694	18,561	11,300	5.5
Dec. 2 ...	950,242	877,545	7,257	148,793	46,311	2	947,588	1,213	1,141	108,588	3,835	20,163	73,600	39.0
9 ...	950,242	889,524	5,409	146,625	45,555	2	948,016	1,224	1,319	152,298	4,011	19,731	61,400	31.0
16 ...	950,242	908,323	6,989	146,902	47,555	2	947,921	1,319	1,148	142,173	3,481	25,759	30,600	15.4
23 ...	950,242	920,569	4,079	145,354	47,982	2	947,965	1,276	1,113	142,173	3,481	25,759	27,700	9.8
30 ...	950,242	923,430	9,010	223,402	48,821	2								
1943														
Jan. 6 ...	950,242	920,025	7,273	157,625	82,492	2	948,535	804	802	197,353	16,725	20,416	30,800	12.4
13 ...	950,242	914,098	9,739	146,234	66,081	2	948,390	849	753	171,078	11,063	21,701	36,700	16.4
20 ...	950,242	909,380	9,507	166,577	63,320	2	948,560	927	902	190,468	4,742	20,592	41,500	17.3
27 ...	950,242	908,060	8,745	175,857	56,576	2	948,573	913	784	183,278	4,384	24,735	42,700	18.0
Feb. 3 ...	950,242	911,285	8,411	139,512	58,075	2	948,917	1,072	1,092	163,943	4,487	19,059	37,100	17.9
10 ...	950,242	913,979	8,035	142,590	56,005	2	949,238	753	1,107	173,933	4,106	19,200	36,200	16.8
17 ...	950,242	914,311	6,812	149,475	59,365	2	949,193	798	1,089	199,193	5,069	19,313	33,300	18.0
24 ...	950,242	917,447	7,054	178,233	53,927	2	949,248	4	1,309	186,568	4,626	22,622	28,600	11.4
Mar. 3 ...	950,242	922,468	6,860	164,902	57,654	2	949,288	700	1,090	186,568	4,626	22,622	28,600	11.3
10 ...	950,242	926,350	4,743	160,390	54,291	2	949,291	700	1,322	188,588	4,121	19,120	24,100	11.1
17 ...	950,242	927,383	6,863	156,064	55,217	2	949,185	801	1,509	187,358	6,824	19,869	22,900	9.9
24 ...	950,242	928,717	5,966	169,557	55,217	2	949,099	893	1,590	199,238	6,824	19,869	22,900	9.9
31 ...	950,242	934,532	5,923	144,045	56,831	2	949,095	893	1,406	171,173	9,857	27,274	16,900	8.1
Apr. 7 ...	950,242	939,511	4,835	144,511	55,234	2	949,118	872	1,278	181,993	9,635	18,837	11,800	5.7
14 ...	1,000,242	943,494	6,186	141,385	53,634	2	949,248	963	1,253	139,643	5,681	18,422	57,800	38.3
21 ...	1,000,242	947,828	8,343	170,109	53,849	2	949,248	963	1,253	141,433	4,827	19,347	53,900	35.7
28 ...	1,000,242	953,412	3,733	162,092	54,172	2	949,123	867	1,194	174,183	5,187	20,975	47,200	21.5
May 5 ...	1,000,242	951,591	20,740	140,088	51,063	2	949,110	880	1,122	162,898	5,537	16,869	49,500	23.0
12 ...	1,000,242	947,306	18,374	140,689	50,969	2	949,035	956	1,096	163,743	4,344	15,987	53,800	25.5
19 ...	1,000,242	947,901	3,249	140,306	51,914	2	949,168	821	1,121	171,037	4,607	14,243	56,800	24.5
26 ...	1,000,242	946,435	17,268	143,628	52,948	2	949,128	804	1,162	158,818	4,959	16,657	54,700	26.1
June 2 ...	1,000,242	946,857	14,656	147,364	53,281	2	949,100	795	1,096	162,898	4,707	16,869	53,900	25.7
9 ...	1,000,242	949,426	7,170	157,668	53,281	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
16 ...	1,000,242	949,426	7,170	157,668	53,281	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
23 ...	1,000,242	947,743	9,273	148,910	52,948	2	949,128	804	1,162	158,818	4,959	16,657	54,700	26.1
30 ...	1,000,242	946,341	7,910	143,628	52,948	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
July 7 ...	1,000,242	949,586	7,911	161,329	54,142	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
14 ...	1,000,242	952,924	5,299	146,367	54,142	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
21 ...	1,000,242	955,989	6,356	169,937	54,607	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
28 ...	1,000,242	968,115	6,624	148,633	53,645	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
Aug. 4 ...	1,000,242	978,111	5,347	140,259	55,666	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
11 ...	1,000,242	976,983	6,782	149,507	55,182	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
18 ...	1,000,242	978,933	7,150	166,767	53,460	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
25 ...	1,000,242	978,743	11,299	155,994	53,189	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7
Sept. 1 ...	1,000,242	978,743	11,299	155,994	53,189	2	949,138	852	1,121	152,833	4,919	16,614	51,700	23.7

£ 1,000 millions on April 13, 1943.

ENGLISH JOINT STOCK BANKS

11	12	13	14	15	16	17			
Deposits and Current Accounts	Total Liabilities and Assets	Cash	Investments	Discounts and Advances	Promises and Securities including Cover for Acceptances	Name of Bank			
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
720,976,569	762,949,567	108,528,345	19,984,800	201,268,973	11,410,630	229,762,421	169,213,319	22,781,079	Barclays Bank.
16,583,994	20,164,037	3,480,330	...	9,262,062	1,627,555	3,152,845	...	2,641,245	Baring Bros. & Co.
1,071,165	1,442,206	152,039	...	262,450	578,607	...	416,225	32,885	Brit. Mot. Banking Co.
34,388,946	37,562,591	4,770,402	2,997,100	12,302,879	1,075,368	6,091,732	8,746,965	1,578,145	Coutts & Co.
145,967,544	155,087,146	22,339,187	4,616,812	50,815,068	1,972,450	46,959,958	24,239,867	4,143,804	District Bank.
59,938,007	66,646,976	8,812,543	11,266,200	20,004,221	564,449	10,062,887	10,442,707	5,493,969	Glyn Mills & Co.
...	...	...	...	...	...	...	...	...	...
4,564,751	5,122,464	1,017,866	...	2,815,067	908,245	...	351,288	30,000	Isle of Man Bank.
646,172,784	695,385,810	104,524,877	21,080,854	173,063,192	24,318,008	202,252,710	140,897,332	29,248,837	Lloyds Bank.
167,338,767	183,498,585	22,949,586	5,196,000	54,127,611	2,992,610	54,084,419	33,544,726	10,603,633	Martins Bank.
758,827,527	801,369,406	113,843,552	25,758,153	233,007,332	11,578,613	235,696,054	159,436,077	22,049,625	Midland Bank.
473,687,541	502,762,845	75,609,299	16,542,000	140,452,371	6,590,989	141,303,154	104,762,071	17,502,961	National Provincial.
501,504,528	534,107,887	81,197,781	22,474,099	152,161,545	4,879,457	145,750,400	109,622,194	18,022,411	Westminster Bank.
70,405,483	76,024,433	12,535,592	5,867,260	22,210,612	818,260	19,647,970	11,320,719	3,624,020	Williams Deacon's Bank.
360,142,760	384,212,953	559,761,399	135,783,278	107,175,338	69,315,239	109,476,450	772,993,490	137,752,614	Totals.

SCOTTISH BANKS

60,829,644	77,053,667	13,337,572	6,510,000	36,416,249	348,938	8,050,697	8,430,086	3,960,125	Bank of Scotland.
44,101,909	56,008,619	8,363,254	5,090,000	27,363,307	338,585	5,562,923	7,661,252	1,629,298	British Linen Bank.
53,305,685	63,460,176	11,919,446	3,055,600	24,907,782	4,364,355	8,056,669	9,520,486	1,635,838	Clydesdale Bank.
68,114,120	83,120,050	14,626,257	2,878,000	42,908,796	221,235	10,049,459	9,577,686	2,858,617	Com. Bank of Scotland.
55,709,970	68,676,377	12,514,084	5,076,000	30,913,635	547,565	6,318,078	10,698,297	2,968,718	Nat. Bank of Scotland.
35,254,314	42,060,274	11,089,541	1,189,500	21,402,515	707,601	1,050,560	6,449,933	170,624	N. of Scotland Bank.
89,199,984	108,171,957	12,994,895	8,891,271	39,341,611	7,796,098	9,841,916	25,252,678	4,053,488	Royal Bank of Scotland.
46,618,637	56,992,571	5,529,790	7,668,792	23,516,630	3,179,499	6,150,002	9,224,170	1,723,688	Union Bank of Scotland.
453,134,263	555,543,691	90,014,839	40,359,163	246,770,525	17,503,876	55,080,304	86,814,588	19,000,396	Totals.

IRISH BANKS

48,622,093	60,210,028	2,480,608	8,943,615	2,630,769	28,589,196	...	16,975,079	590,761	Bank of Ireland.
20,664,772	25,707,567	6,996,211	...	11,975,444	740,132	128,511	5,822,085	45,184	Belfast Banking Co.
13,276,927	15,102,760	2,323,435	...	7,463,485	168,561	...	5,009,009	138,270	Hibernian Bank.
34,261,172	36,952,255	3,537,807	1,800,000	18,419,530	321,103	615,559	11,876,919	381,337	Munster and Leinster Bk
44,455,262	48,779,712	6,024,733	6,451,421	17,190,698	1,354,321	1,407,510	15,732,849	618,180	National Bank.
21,452,489	26,178,570	6,736,834	...	11,366,648	829,875	...	6,897,098	348,115	Northern Bank.
20,489,362	23,515,317	1,641,842	1,504,775	12,553,438	848,969	1,046,016	5,910,897	209,380	Prov. Bank of Ireland.
...	...	...	...	5,212,630	165,899	...	...	...	Ditto. New.
9,729,313	10,617,355	1,737,289	...	16,685,796	1,449,186	51,015	3,200,522	250,000	Royal Bank of Ireland.
29,041,939	35,468,862	9,906,049	...	...	...	...	7,132,745	295,086	Ulster Bank.
241,993,329	282,532,426	41,384,808	18,499,811	103,498,438	34,467,242	3,248,611	78,557,203	2,876,313	Totals.

DISCOUNT COMPANIES

Date	Capital and Reserves	Loans, Deposits etc. (inc. Undivided Profits)	Bills Rediscounted	Rebate, etc.	Total Liabilities	Cash at Bankers	Bills Discounted	Investments	Loans and Sundry Accounts	Total Assets
	1	2	3	4	5	6	7	8	9	10
1942	£	£	£	£	£	£	£	£	£	£
Alexanders Dec. 31	2,000,000	49,027,270	1,291,627	230,773	52,549,670	779,219	31,719,462	19,806,417	244,572	52,549,670
National Dec. 31	2,400,000	63,316,814	4,130,633	69,847,447	1,579,697	52,868,942	14,815,410	583,398	69,847,447	
Union of Lond. Dec. 31	3,750,000	99,172,826	6,263,327	486,939	109,673,092	2,176,811	87,624,961	19,424,631	446,689	109,673,092
Totals	8,150,000	211,516,910	11,685,587	717,712	232,070,209	4,535,727	172,213,365	54,046,458	1,274,659	232,070,209

COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1885	99	2,690	69,213,000	12.4	455,561,000	81.6	23,724,000	4.2	558,744,000	111,208,000	19.9	107,498,000	19.2	311,678,000	56.7
1890	77	3,757	73,847,000	11.3	586,726,000	84.0	21,530,000	3.0	698,762,000	144,400,000	20.7	127,766,000	18.3	395,313,000	56.6
1900	59	4,558	82,010,000	10.8	627,529,000	82.6	39,225,000	5.2	758,712,000	179,530,000	23.6	137,731,000	17.3	401,485,000	52.9
1910	45	5,202	80,946,000	9.4	720,587,000	85.6	52,263,000	6.0	862,134,000	199,724,000	23.0	137,711,000	16.8	467,886,000	54.3
1920	37	6,027	81,731,000	7.1	992,555,000	86.4	62,512,000	5.5	1,146,807,000	262,453,000	22.9	310,771,000	14.2	503,617,000	43.9
1925	18	8,873	128,154,000	5.8	1,961,527,000	89.0	102,920,000	4.7	2,200,317,000	449,153,000	20.4	368,734,000	18.7	1,167,952,000	56.3
1930	16	10,082	134,472,000	6.4	1,976,805,000	87.6	128,023,846	6.0	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,281,039,732	56.3
1931	16	10,178	134,472,000	6.4	1,976,805,000	87.6	128,023,846	6.0	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,281,039,732	56.3
1932	16	10,066	135,224,636	5.9	2,025,230,732	88.5	109,740,433	5.3	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,281,039,732	56.3
1933	16	10,060	135,552,136	5.9	2,025,230,732	88.5	109,740,433	5.3	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,281,039,732	56.3
1934	16	10,086	137,709,293	5.9	2,025,230,732	88.5	109,740,433	5.3	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,281,039,732	56.3
1935	15	10,118	137,741,609	5.7	2,172,713,497	88.5	109,137,702	5.6	2,288,936,892	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1936	15	10,074	138,529,709	5.5	2,329,107,565	92.1	109,137,702	5.6	2,438,215,271	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1937	15	10,097	142,056,407	5.4	2,348,198,851	90.0	109,137,702	5.6	2,457,397,653	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1938	15	10,151	142,245,127	5.4	2,348,198,851	90.0	109,137,702	5.6	2,457,397,653	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1939	13	9,243	142,245,127	5.4	2,348,198,851	90.0	109,137,702	5.6	2,457,397,653	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1940	13	9,111	141,284,227	5.2	2,419,329,880	90.1	117,257,519	5.0	2,536,607,399	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1941	13	8,626	141,396,427	4.0	2,777,594,672	91.6	108,925,935	3.6	2,886,519,607	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3
1942	13	8,326	142,008,527	3.7	3,601,427,606	93.8	111,636,355	3.2	3,713,063,961	446,089,501	19.5	317,572,000	17.3	1,281,039,732	56.3

JOINT STOCK BANKS OF SCOTLAND

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1880	10	975	14,755,000	12.6	91,610,000	77.9	6,468,000	5.5	112,828,000	21,427,000	18.2	29,349,000	24.9	60,103,000	51.4
1885	10	1,013	15,090,000	12.3	94,592,000	77.8	7,264,000	5.9	117,946,000	22,795,000	18.6	30,770,000	25.3	62,241,000	51.2
1890	10	1,071	16,217,000	11.8	107,154,000	77.9	8,056,000	5.9	123,267,000	24,438,000	19.2	33,401,000	24.3	70,395,000	51.9
1900	11	1,159	17,559,000	12.7	106,652,000	77.5	7,545,000	5.7	125,256,000	25,937,000	18.1	31,396,000	23.7	68,714,000	51.9
1910	9	1,253	16,205,000	9.1	140,569,000	82.0	12,555,000	7.1	163,329,000	25,604,000	18.6	33,322,000	24.2	70,661,000	51.5
1920	8	1,264	17,911,000	5.3	219,228,000	82.1	29,363,000	8.7	248,591,000	36,730,000	20.7	67,019,000	37.9	153,122,000	44.1
1925	8	1,536	23,947,000	8.0	240,945,000	81.0	21,668,000	7.3	262,613,000	39,167,000	21.5	102,968,000	39.0	131,309,000	46.1
1930	8	1,659	30,099,368	9.5	256,083,505	80.0	21,405,253	7.0	277,583,863	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1931	8	1,718	30,717,118	9.1	243,568,271	80.6	21,405,253	7.0	265,013,524	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1932	8	1,663	30,917,118	8.8	276,463,502	81.9	21,373,373	6.7	297,836,875	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1933	8	1,826	31,017,118	9.0	281,678,416	82.0	21,018,222	6.2	302,696,638	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1934	8	1,852	31,017,118	9.0	281,678,416	82.0	21,018,222	6.2	302,696,638	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1935	8	1,868	31,393,336	8.3	286,687,897	81.3	21,373,373	6.7	308,061,270	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1936	8	1,880	31,630,364	8.1	286,687,897	81.3	21,373,373	6.7	308,061,270	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1937	8	1,889	32,759,809	8.1	330,454,922	81.2	23,113,387	5.8	353,573,319	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1938	8	1,902	33,532,157	8.3	325,253,384	81.2	23,535,619	5.9	348,789,001	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1939	8	1,854	34,101,965	8.3	325,253,384	81.2	23,535,619	5.9	348,789,001	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1940	8	1,854	34,101,965	8.3	325,253,384	81.2	23,535,619	5.9	348,789,001	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1941	8	1,697	34,265,965	7.6	364,378,164	81.3	26,242,892	6.4	390,646,057	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7
1942	8	1,620	34,501,965	6.2	453,131,263	81.6	43,322,525	8.9	496,453,788	40,341,000	20.3	95,204,000	34.0	146,104,641	47.7

JOINT STOCK BANKS OF IRELAND

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1885	9	496	10,200,000	16.5	44,390,000	72.0	6,143,000	9.9	61,663,000	11,253,000	18.3	17,934,000	29.1	31,182,000	50.5
1900	9	543	10,894,000	16.0	49,449,000	72.8	6,708,000	9.9	67,988,000	11,697,000	17.2	17,719,000	26.1	37,464,000	55.0
1910	9	663	11,320,000	15.7	53,556,000	74.4	7,211,000	8.3	71,967,000	10,396,000	14.4	18,961,000	26.3	41,568,000	57.5
1915	9	703	11,475,000	13.9	62,508,000	76.0	7,211,000	8.3	82,150,000	13,762,000	16.7	23,215,000	28.2	44,127,000	45.5
1920	9	912	12,899,000	5.4	77,722,000	74.0	24,717,000	10.3	104,799,000	23,315,000	22.2	35,330,000	33.6	44,706,000	42.5
					200,441,000	83.2			240,391,000	46,938,000	19.4	80,959,000	33.5	109,623,000	45.5
1922	3*	267	3,350,000	5.1	56,686,000	86.4	4,989,000	7.6	65,596,000	8,173,500	12.5	23,221,500	35.4	33,572,000	51.2
1923	3*	248	3,750,000	6.1	51,962,000	84.7	4,864,000	8.0	61,329,000	8,857,600	11.2	21,293,000	34.7	32,450,000	52.0
1924	3*	249	4,100,000	6.8	51,100,000	84.3	4,399,000	7.4	60,687,000	8,723,000	11.1	21,532,000	35.5	33,543,000	55.5
1925	3*	252	4,200,000	7.1	50,057,000	84.3	4,137,000	6.9	59,153,000	9,655,000	10.1	18,947,000	32.1	33,379,000	54.5
1926	3*	254	4,200,000	7.0	50,643,000	84.6	4,037,000	6.9	59,836,000	9,726,000	10.1	18,943,000	31.7	32,819,000	54.5
1927	3*	255	4,400,000	7.3	49,342,000	82.4	4,037,000	6.9	59,309,000	9,609,000	10.7	18,943,000	31.4	32,819,000	54.5
1928	3*	255	4,500,000	7.5	49,649,399	82.5	3,909,809	6.5	60,253,773	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1929	3*	256	4,550,000	7.6	49,469,399	82.5	3,909,809	6.1	59,355,355	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1930	3*	256	4,765,821	8.0	49,098,443	82.3	3,663,512	6.0	59,600,010	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1931	3*	258	4,550,000	7.7	49,075,292	83.1	3,586,797	6.1	59,085,223	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1932	3*	258	4,600,000	7.4	53,867,345	86.8	3,193,060	5.4	59,600,010	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1933	3*	260	4,600,000	7.8	51,160,144	85.9	3,221,823	5.2	59,085,223	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1935	3*	269	4,800,000	8.1	50,334,270	85.9	3,289,433	5.5	59,500,977	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1936	3*	259	4,800,000	8.1	50,190,428	84.0	3,407,010	5.8	59,058,242	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1937	3*	259	4,900,000	8.4	49,093,831	84.2	3,708,243	6.3	59,684,000	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1938	3*	259	4,900,000	8.6	47,833,903	83.1	3,879,318	6.3	58,877,713	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1939	3*	252	5,000,000	8.3	49,810,240	83.6	3,940,019	6.9	58,302,918	9,706,211	12.1	19,638,930	32.6	32,605,519	54.5
1940	1	1,044	18,294,231	7.1	192,779,208	86.1	4,578,641	7.6	215,266,381	40,544,343	17.9	122,007,068	47.4	81,305,816	37.9
1941	1	1,027	18,424,231	6.5	220,173,408	85.3	13,566,210	6.1	237,592,266	40,544,343	17.9	122,007,068	47.4	81,305,816	37.9
1942	1	1,029	18,424,231	6.5	241,993,329	85.3	21,150,122	7.5	257,536,765	40,544,343	17.9	122,007,068	47.4	81,305,816	37.9

JOINT STOCK BANKS OF ENGLAND AND WALES

BARCLAYS BANK LIMITED

	CAPITAL				PROFITS AND DIVIDENDS				Reserve, Investments, etc.	Carried Forward
	Subscribed	Paid-up	Callible	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount		
"A" Stock	3,450,356	3,450,356	Nil	Nil	1932	1,574,015	0.38	1,562,202	A Shs 10 B & C 14	577,761
"B" Stock	11,760,811	11,760,811	Nil	Nil	1933	1,604,680	0.39	1,562,202	A Shs 10 B & C 14	570,238
"C" Stock	667,050	667,050	Nil	Nil	1934	1,708,174	0.41	1,614,275	A Shs 10 B & C 14	564,137
"A" Stock					1935	1,783,784	0.40	1,614,275	A Shs 10 B & C 14	583,645
"B" Stock					1936	1,894,361	0.41	1,588,239	A Shs 10 B & C 14	639,768
"C" Stock					1937	2,153,825	0.45	1,562,202	A Shs 10 B & C 14	511,391
					1938	1,926,458	0.40	1,510,129	A Shs 10 B & C 14	527,720
					1939	1,784,880	0.35	1,432,019	A Shs 10 B & C 14	530,582
					1940	1,525,665	0.26	1,197,688	A Shs 10 B & C 14	546,704*
					1941	1,353,303	0.19	1,041,468	A Shs 10 B & C 14	508,539
					1942	1,529,744	0.20	1,041,468	A Shs 10 B & C 14	546,815

Fully paid, transferable in units of £1

Price Nov. 5, 1943
 "A" Stock £2 14s. 6d.
 "B" Stock £3 17s. 0d.
 Market Value
 9,317,723
 45,286,113

Year Ended Dec. 31	LIABILITIES				ASSETS				Buildings and Sundries, including Cover for Acceptances	Per Cent.
	Capital and Reserves	Per Cent.	Acceptances and Endorsements	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.		
1932	2,070	26,108,217	6.3	6,279,470	1.5	381,846,610	92.2	414,234,297	62,344,879	15.0
1933	2,080	26,108,217	6.3	7,191,741	1.7	378,759,772	92.0	412,059,730	62,249,186	15.0
1934	2,091	26,108,217	6.3	7,205,554	1.7	380,093,759	92.0	415,407,530	58,699,862	14.0
1935	2,116	26,108,217	6.3	7,857,821	1.8	406,782,270	92.3	440,748,308	65,304,917	14.0
1936	2,106	26,108,217	6.3	8,532,515	1.9	429,538,416	92.4	464,912,784	66,630,908	14.0
1937	2,122	26,608,217	6.3	9,433,082	2.0	434,645,323	92.5	469,786,056	70,783,320	15.0
1938	2,131	26,608,217	6.3	10,581,185	2.1	441,376,448	91.3	474,622,484	77,338,578	15.0
1939	1,874	26,608,217	6.3	11,453,145	2.2	451,376,448	91.3	474,622,484	85,300,989	15.0
1940	1,951	27,108,217	6.3	12,478,292	2.3	464,912,784	91.3	503,578,810	85,300,989	15.0
1941	1,838	27,108,217	6.3	12,872,411	2.3	464,912,784	91.3	503,578,810	85,300,989	15.0
1942	1,767	27,108,217	6.3	14,864,781	2.5	464,912,784	91.3	503,578,810	85,300,989	15.0

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.
 (b) Includes investments in affiliated banks.
 (c) Includes branches in account with subsidiary banks.
 (d) From 1940 includes Treasury deposit receipts.
 † Includes Branches of the Union Bank of Manchester, Limited, which was amalgamated with Barclays Bank, Limited, on January 1st, 1940.

BRITISH MUTUAL BANKING COMPANY, LIMITED

	CAPITAL				PROFITS AND DIVIDENDS				Reserve, Investments, etc.	Carried Forward
	Subscribed	Paid-up	Callible	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount		
"A" Stock	300,000	180,000	120,000	Nil	1932	18,756	1.84	14,400	12	7,529
"B" Stock					1933	20,081	1.45	14,400	12	7,710
"C" Stock					1934	29,809	2.57	14,400	12	8,119
"A" Stock					1935	38,524	3.95	14,400	12	10,743
"B" Stock					1936	21,570	1.54	17,500	10	9,073
"C" Stock					1937	22,461	1.61	18,000	10	7,614
"A" Stock					1938	21,640	1.69	18,000	10	5,117
"B" Stock					1939	21,604	1.72	9,000	5	10,100
"C" Stock					1940	19,054	1.36	9,000	5	9,413
"A" Stock					1941	20,441	1.40	9,000	5	9,413
"B" Stock					1942	21,177	1.46	9,000	5	9,490

Year Ended Dec. 31	LIABILITIES				ASSETS				Buildings and Sundries, including Cover for Acceptances	Per Cent.
	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.		
1932	222,500	21.8	21,929	2.2	773,022	76.0	1,017,451	152,336	14.9	1.8
1933	228,000	16.5	22,110	1.5	1,130,068	82.0	1,380,178	106,827	7.9	1.4
1934	243,000	21.0	22,519	1.9	1,150,983	77.1	1,580,983	108,064	7.3	2.0
1935	254,500	20.4	25,143	1.9	1,243,115	76.4	1,821,180	107,037	7.4	...
1936	310,600	21.8	26,472	2.0	1,083,367	75.5	1,396,609	107,037	7.5	...
1937	315,700	22.6	27,074	1.9	1,053,835	75.5	1,421,180	107,037	7.5	...
1938	320,800	22.1	25,614	1.8	1,044,805	75.5	1,420,186	107,037	7.5	...
1939	335,900	23.6	14,071	1.0	1,070,169	75.4	1,451,219	107,037	7.5	...
1940	341,000	24.4	14,071	1.0	1,045,654	74.6	1,420,186	107,037	7.5	...
1941	341,000	23.4	18,413	1.3	1,098,747	75.3	1,458,260	107,037	7.5	...
1942	311,200	23.7	18,490	1.3	1,042,516	75.0	1,442,206	107,037	7.5	...

* Includes engagements on account of customers.
 † Includes Treasury deposit receipts.

BARING BROTHERS & CO., LIMITED

Year Ended Dec. 31	LIABILITIES				ASSETS				Buildings and Sundries, including Cover for Acceptances	Per Cent.
	Capital and Reserves	Per Cent.	Balance Carried Forward	Per Cent.	Cash in Hand and at Bank	Per Cent.	Investments	Per Cent.		
1932	3,050,000	13.2	21,385	0.1	2,529,109	11.0	17,411,784	75.7	23,012,278	100.0
1933	3,050,000	12.5	21,598	0.1	1,795,521	7.4	19,560,425	80.0	24,407,544	100.0
1934	3,050,000	12.3	21,812	0.1	2,104,732	8.5	16,659,010	79.1	24,845,554	100.0
1935	3,050,000	12.2	22,050	0.1	2,696,813	10.7	19,312,257	77.0	25,081,100	100.0
1936	3,050,000	12.0	22,251	0.1	3,424,240	12.2	21,420,013	76.8	27,916,504	100.0
1937	3,050,000	12.0	22,473	0.1	3,158,659	12.4	21,927,111	75.5	25,488,243	100.0
1938	3,050,000	13.3	22,697	0.1	3,180,812	13.8	16,747,847	72.3	23,011,356	100.0
1939	3,050,000	14.6	22,923	0.1	1,646,156	4.3	14,972,923	79.4	18,865,719	100.0
1940	3,050,000	16.2	23,153	0.1	819,643	2.6	16,835,819	81.8	20,565,085	100.0
1941	3,050,000	14.9	23,384	0.1	655,882	2.2	16,533,104	82.2	20,164,037	100.0
1942	3,050,000	15.1	23,618	0.1	506,425	1.6	16,533,104	82.2	20,164,037	100.0

COUTTS AND COMPANY

Year Ended Dec. 31	LIABILITIES				ASSETS				Buildings and Sundries, including Cover for Acceptances	Per Cent.
	Capital and Reserve	Per Cent.	Acceptances, etc.	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.		
1932	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,156	12.8	4.4
1933	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	5.1
1934	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	10.3	4.7
1935	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	4.7
1936	2,000,000	7.6	500,745	1.9	23,864,392	90.5	26,565,665	3,180,455	12.1	4.4
1937	2,000,000	7.6	744,173	2.8	23,441,396	89.6	28,888,404	3,064,652	12.2	4.3
1938	2,000,000	7.4	641,900	2.7	21,246,504	88.9	26,567,486	3,470,645	13.0	4.3
1939	2,000,000	6.8	730,316	2.7	23,927,170	89.6	29,366,404	3,984,800	13.6	4.4
1940	2,000,000	6.8	796,799	2.7	26,569,605	90.5	35,471,573	4,393,997	12.4	3.9
1941	2,000,000	5.6	957,857	2.7	32,513,736	91.7	37,562,591	4,770,402	12.7	4.2
1942	2,000,000	5.3	1,173,645	3.1	34,388,946	91.6	37,063,796	4,851,819	13.1	3.9

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.
 (b) From 1940 includes Treasury deposit receipts.

DISTRICT BANK LIMITED

Year Ended Dec. 31	CAPITAL				PROFITS AND DIVIDENDS				Reserve, Investments, etc.	Carried Forward
	Subscribed	Paid-up	Callible	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount		
"A" Stock	10,560,424	2,976,428	1,264,000	6,320,000	1932	416,412	0.66	347,600	A 16% B 10	226,715
"B" Stock					1933	418,529	0.66	347,600	A 16% B 10	237,645
"C" Stock					1934	430,229	0.68	347,600	A 16% B 10	250,274
"A" Stock					1935	419,589†	0.49	318,759*	A & C 16% B 10	261,103
"B" Stock					1936	490,324†	0.53	362,192*	A & C 16% B 10	269,237
"C" Stock					1937	519,255†	0.54	372,881*	A & C 16% B 10	285,611
"A" Stock					1938	508,808†	0.51	376,525*	A & C 16% B 10	287,894
"B" Stock					1939	490,090†	0.48	357,050*	A & C 16% B 10	290,934
"C" Stock					1940	446,018†	0.39	298,623*	A & C 16% B 10	298,329
"A" Stock					1941	417,285†	0.29	259,673*	A & C 16% B 10	315,942
"B" Stock					1942	421,749†	0.27	259,673*	A & C 16% B 10	318,018

* Tax paid. † After payment of all tax.

Year ended December 31	No. of Offices open at dates stated	LIABILITIES							ASSETS														
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Bills of Exchange (b)	Per Cent.	Investments	Per Cent.	Advances	Per Cent.	Buildings and Sundries including Cover for Acceptances	Per Cent.	
1932	400	4,212,000	6.6	400,516	0.6	1,999,827	5.6	829,351	19.9	4.5	63,441,694	7,708,349	12.4	4,356,950	6.6	4,886,844	7.7	21,805,876	34.4	17,690,457	27.9	2,839,400	4.5
1933	400	4,212,000	6.6	411,116	0.6	2,339,159	8.3	535,957	12.3	8.4	62,940,645	7,605,511	12.4	4,728,285	5.6	8,113,319	9.2	29,419,700	34.4	24,963,760	29.3	6,114,948	9.6
1934	400	4,212,000	6.6	424,074	0.7	3,376,865	8.5	52,888,706	12.3	11.3	85,576,689	10,946,439	12.4	4,728,285	5.6	5,633,395	7.7	29,419,700	34.4	24,963,760	29.3	7,759,187	11.3
1935	583	5,952,856	7.0	445,168	0.6	194,213	0.2	72,984	0.1	85.1	91,903,248	10,974,877	11.2	8,283,450	8.5	5,479,737	5.7	29,621,612	31.0	26,398,248	27.9	8,835,836	9.6
1936	583	5,952,856	7.0	450,332	0.7	2,282,406	0.9	79,218	0.1	85.1	96,839,766	11,592,993	11.2	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1937	583	5,952,856	7.0	440,365	0.6	3,346,536	0.9	78,408	0.1	85.1	98,325,408	11,533,168	11.2	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1938	569	5,952,856	6.2	476,157	0.5	3,907,368	1.9	103,760	0.8	6.6	102,339,166	15,744,387	15.7	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1939	496	5,952,856	5.8	459,721	0.6	4,521,162	0.9	1,053,783	93.2	91.2	140,763,892	19,015,608	13.5	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1940	496	5,952,856	5.8	445,779	0.3	3,262,821	0.2	1,311,024	36.4	94.2	155,087,146	22,339,187	14.4	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1941	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1942	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1943	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1944	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1945	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1946	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1947	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1948	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1949	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1950	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1951	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1952	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1953	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1954	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1955	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1956	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1957	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1958	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1959	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1960	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1961	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1962	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1963	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1964	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1965	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1966	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1967	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1968	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1969	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1970	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1971	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1972	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1973	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1974	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1975	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704	6.1	29,621,612	31.0	26,398,248	27.9	10,226,802	11.3
1976	465	5,952,856	3.4	447,854	0.3	2,718,893	1.7	14,967	0.0	94.2	157,256,180	20,953,613	13.3	8,283,450	8.5	6,201,704							

ISLE OF MAN BANK LIMITED—Continued from page 11

Year ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										ASSETS									
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Miscellaneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bankers	Per Cent.	Discounts and Advances	Per Cent.	Investments	Per Cent.	Premises	Per Cent.	Per Cent.
1932	9	292,000	8.5	17,788	0.5	86,663	2.5	8,197	0.2	3,014,280	88.2	3,418,928	535,096	15.6	488,168	14.3	2,365,664	69.2	30,000	1.1	1.1
1933	9	304,000	8.6	18,807	0.5	84,559	2.4	4,252	0.1	3,115,205	88.4	3,526,823	459,855	13.0	451,512	12.8	2,585,456	73.4	30,000	0.8	0.8
1934	9	316,000	8.6	18,100	0.5	84,829	2.3	23,131	0.6	3,213,409	88.0	3,655,469	370,367	10.1	388,608	10.6	2,866,494	78.5	30,000	0.8	0.8
1935	10	328,000	8.7	19,102	0.5	87,284	2.3	3,307,855	88.3	3,750,574	88.3	3,750,574	376,786	10.0	406,685	10.9	2,937,103	78.3	30,000	0.8	0.8
1936	10	340,000	8.7	19,488	0.5	97,713	2.5	6,721	0.1	3,446,942	87.5	3,910,864	459,778	11.7	401,003	10.3	3,020,084	77.2	30,000	0.8	0.8
1937	10	352,000	8.7	20,358	0.5	99,387	2.6	394	—	3,280,270	87.5	3,752,409	460,758	12.3	433,403	11.5	2,828,248	75.4	30,000	0.8	0.8
1938	10	364,000	8.7	21,004	0.5	96,339	2.6	10,087	0.3	3,243,466	86.8	3,821,366	468,768	12.3	462,350	12.4	2,833,778	75.4	30,000	0.8	0.8
1939	11	376,000	8.8	22,157	0.6	98,039	2.6	10,718	0.3	3,314,452	86.5	3,946,345	480,510	12.2	456,918	11.6	2,475,826	64.7	30,000	0.8	0.8
1940	11	388,000	8.8	22,448	0.6	101,766	2.6	17,210	0.4	3,416,921	86.6	4,041,347	538,110	21.2	460,510	11.6	2,621,317	66.4	30,000	0.8	0.8
1941	11	400,000	9.1	23,765	0.5	100,739	2.3	6,987	0.1	3,869,856	88.0	4,564,751	558,780	21.8	361,395	8.2	3,051,172	69.3	30,000	0.8	0.8
1942	11	412,000	8.0	25,928	0.5	115,243	2.3	4,542	0.1	4,564,751	89.1	5,122,464	1,017,866	19.9	351,288	6.9	3,723,310	72.6	30,000	0.6	0.6

LLOYDS BANK LIMITED

CAPITAL (December 31, 1937)									
Subscribed	Paid-up	Callable	Reserved	Market Value					
£	£	£	£	Nov. 5, 1943					
"A" shares ...	71,864,780	14,372,956	3,593,239	53,898,585	£42,759,548				
"B" Stock ...	1,437,296	1,437,296	Nil	Nil	£2,191,876				
Per Share	Per Share	Per Share	Per Share	Per Share					
£5	£1	5s.	£3 15s.	£2 19s. 6d.					
£1	£1	Nil	Nil	£1 10s. 6d.					

Year Ended Dec. 31	Net Profits £	PROFITS AND DIVIDENDS				Reserves, etc. £	Carried Forward £
		Per Cent. of Resources	Amount	Dividends	Rate %		
1932....	1,550,511	0.35	1,357,820	"A" 12 5	200,000	514,746	
1933....	1,438,822	0.33	1,347,465	"B" 5 12 5	100,000	506,104	
1934....	1,651,506	0.37	1,392,380	"A" 12 5	250,000	515,230	
1935....	1,642,785	0.36	1,392,380	"B" 5 12 5	250,000	515,635	
1936....	1,743,955	0.37	1,369,922	"A" 12 5	350,000	539,667	
1937....	1,832,501	0.39	1,347,465	"B" 5 12 5	500,000	524,704	
1938....	1,705,300	0.37	1,302,549	"A" 12 5	400,000	527,456	
1939....	1,589,646	0.32	1,248,276	"B" 5 12 5	350,000	518,826	
1940....	1,383,807	0.26	1,033,056	"A" 12 5	350,000	519,577	
1941....	1,274,200	0.22	915,153	"B" 5 12 5	350,000	528,624	
1942....	1,364,082	0.20	917,960	"A" 12 5	450,000	524,745	

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom, and balances with Banks abroad.
(b) Includes investments in affiliations.
(c) Includes balances in account with subsidiary companies, items in transit, and other assets and accounts.
(d) From 1940, includes Treasury deposit receipts.

MARTINS BANK LIMITED

CAPITAL				PROFITS AND DIVIDENDS							Reserve, Investments, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Market Value, Nov. 5, 1943	Year ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends— Amount	Rate %			
£20,602,272	£4,160,042	£5,167,558	£11,274,672	16,668,456	1932...	636,950	0.65	582,406	14	...	185,368	
					1933...	654,940	0.70	582,406	14	50,000	207,903	
Per Share 339,556	Per Share	Per Share	Per Share	Per Share	1934...	672,258	0.71	582,406	14	75,000	233,466	
shares of £20	£2 10s.	£5 10s.	£12	£9 10s. 0d.	1935...	693,117	0.69	582,406	14	100,000	296,408	
1,811,152					1936...	763,988	0.70	582,406	14	125,000	309,007	
shares of £1	£1	...	...	£4 5s. 6d.	1937...	853,566	0.70	665,607	16 1/2	175,000	328,730	
					1938...	872,929	0.80	603,206	14 1/2	250,000	330,749	
					1939...	876,025	0.74	624,006	15	250,000	347,771	
					1940...	901,029	0.63	624,006	15	250,000	373,016	
					1941...	587,248	0.33	312,002	15	250,000		
					1942...	576,634	0.31	312,002	15	250,000		

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.
(b) Includes investments in affiliations.
(c) From 1940 includes Treasury deposit receipts.
(d) Includes a distribution in 1942 of 2 per cent.

MIDLAND BANK LIMITED

CAPITAL, September, 1942						Market Value, Nov. 5, 1943	Year ended Dec. 31	PROFIT AND DIVIDENDS					Allocations to Reserve and Other Funds	Carried Forward
Authorised		Subscribed	Paid-up	Callable	Reserved			Net Profit, less tax— Amount % of Resources £ at end of Year	Dividend—		Gross Rate			
No. of Shares	Denomination								Amount, less tax £	%				
												£		
2,869,079	£ 12	34,428,948	7,172,697½	7,172,697½	20,083,553	28,870,107	1932.....	2,019,143	0.44	1,709,761	16	300,000	859,397	
2,000,000	2½	4,804,192½	4,804,192½	Nil	Nil	21,018,345	1933.....	2,266,847	0.49	1,709,761	16	550,000	866,483	
5,771,052	1	3,181,731	3,181,731	Nil	Nil	14,476,870	1934.....	2,292,217	0.50	1,766,753	16	520,000	871,946	
		Per Share £12	Per Share £2 10s.	Per Share £2 10s.	Per Share £7	£10 1½	1935.....	2,353,099	0.48	1,987,598*	18*	770,000	467,447	
...	...	£1	£1	Nil	Nil	91/0	1936.....	2,467,894	0.46	1,738,257	16	650,000	547,084	
...	...						1937.....	2,508,009	0.46	1,764,049	16	700,000	591,044	
...	...						1938.....	2,445,671	0.48	1,758,409	16	650,000	628,315	
...	...						1939.....	2,181,351	0.40	1,687,448	16	500,000	642,217	
...	...						1940.....	1,933,093	0.31	1,455,228	16	500,000	620,083	
...	...						1941.....	1,969,288	0.27	1,212,690	16	750,000	626,681	
...	...						1942.....	1,997,132	0.25	1,212,690	16	750,000	661,123	

* Includes 2 per cent. centenary bonus.

WESTMINSTER BANK LIMITED *Continued from page 13*

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Emple- ments	Per Cent.	Notes*	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Invest- ments (c)	Per Cent.	Build- ings and Sundries, including Cover for Accept- ances	Per Cent.
1932	1,073	16,820,157	5.0	1,043,705	0.3	22,327,285	6.6	16,624	...	298,182,935	88.1	338,390,706	41,360,165	12.2	21,107,807	6.2	172,612,957	51.1	75,242,579	22.2	228,067,198	8.3
1933	1,072	16,820,157	4.9	1,043,217	0.3	22,327,285	6.6	15,187	...	294,739,761	85.6	344,465,547	45,024,055	13.1	22,685,851	6.6	144,846,688	42.0	94,483,075	27.4	274,425,878	10.9
1934	1,082	16,840,314	5.1	1,083,230	0.3	22,327,285	6.6	14,632	...	305,653,206	84.3	362,768,478	46,407,151	12.8	28,419,892	7.8	144,275,709	39.8	100,858,547	27.8	282,807,179	11.8
1935	1,090	16,840,314	5.1	1,081,595	0.3	22,460,265	6.2	13,444	...	322,675,384	88.4	364,871,002	51,555,685	14.2	18,548,513	5.1	158,685,963	43.4	108,165,537	29.7	272,915,304	7.6
1936	1,090	16,840,314	4.7	1,099,370	0.3	20,556,532	5.0	13,774	...	367,877,506	90.0	408,197,496	53,291,340	13.0	44,983,298	11.0	170,077,686	41.8	114,049,312	27.9	275,795,860	6.3
1937	1,094	16,840,314	4.6	1,184,805	0.3	20,945,433	5.1	13,461	...	368,855,148	90.0	409,639,161	52,461,734	12.8	27,898,633	6.8	188,235,927	45.9	115,005,495	28.1	26,037,372	6.4
1938	1,098	16,840,314	4.8	1,089,882	0.3	24,176,283	6.2	12,927	...	346,220,783	88.7	390,140,189	49,853,024	12.8	20,803,191	5.3	175,072,630	44.9	115,178,633	29.5	29,232,711	7.5
1939	1,095	16,840,314	4.6	1,099,032	0.3	20,912,245	5.1	13,858	...	366,478,334	90.0	407,083,783	53,946,772	13.3	34,046,584	8.4	186,611,966	45.8	106,220,027	26.1	26,258,234	6.4
1940	1,026	16,840,314	4.1	997,882	0.2	26,795,852	5.8	18,118	...	410,176,803	89.9	456,628,969	63,978,165	14.0	28,654,014	6.3	170,170,495	48.0	112,773,554	24.7	32,052,741	7.0
1941	994	16,840,314	3.6	952,344	0.2	29,338,330	5.6	18,366	...	469,944,803	90.0	518,894,157	73,129,153	14.1	22,487,365	4.3	240,056,072	46.3	148,792,169	28.7	34,429,398	6.6
1942	972	16,840,314	3.5	912,967	0.2	21,032,345	2.4	17,733	...	501,504,528	93.9	534,107,887	81,197,781	15.2	22,474,099	4.2	255,372,594	47.8	157,041,002	29.4	18,022,411	3.4
June 30, 1943	18,640,314	3.6	...	1,940,919	2.2	16,331	...	493,668,648	94.2	524,266,212	71,366,363	13.6	25,046,828	4.8	244,029,407	46.6	166,942,264	31.8	16,881,350	3.2		

* In circulation in the Isle of Man.

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) Includes Treasury deposit receipts from 1940.

(c) Includes investments in affiliations.

WILLIAMS DEACON'S BANK, LIMITED

CAPITAL				PROFITS AND DIVIDENDS						Reserves and other Appropriations	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends		Rate		
£	£	£	£		£		Amount		%	£	£
8,125,000	1,875,000	1,562,500	4,687,500	1932	268,005	0.71	234,375	12.1		25,000	35,198
				1933	272,995	0.71	234,375	12.1		25,000	48,818
				1934	274,180	0.71	234,375	12.1		30,000	58,623
				1935	278,536	0.69	234,375	12.1		30,000	72,785
				1936	293,636	0.70	234,375	12.1		30,000	102,046
Per Share	Per Share	Per Share	Per Share	1937	310,921	0.72	234,375	12.1		30,000	148,592
A £5	A £1	A £1	A £3	1938	301,418	0.70	234,375	12.1		130,000	85,635
B £1	B £1	B nil	B nil	1939	298,865	0.64	234,375	12.1		30,000	120,126
				1940	292,673	0.52	234,375	12.1		30,000	264,375
				1941	184,170	0.27	117,188	12.1		130,000	85,406
				1942	189,057	0.25	117,188	12.1		30,000	127,276

LIABILITIES										ASSETS									
Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances	Per Cent.	Investments	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.	
									(a)				(b)						
2,675,000	7.1	154,035	0.4	1,164,066	3.1	33,812,463	89.4	37,805,564	5,951,067	15.8	4,816,463	12.7	15,086,118	39.8	9,753,892	25.8	2,188,024	5.8	
2,675,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	86.5	38,771,174	6,306,885	16.3	5,518,038	14.2	13,581,376	34.5	10,124,277	26.2	3,440,598	8.8	
2,675,000	6.9	177,459	0.5	2,068,097	5.3	33,742,876	87.3	38,663,432	6,003,721	15.5	6,116,738	15.8	13,887,772	35.9	9,575,350	24.8	3,079,851	8.0	
2,675,000	6.6	191,620	0.5	2,047,759	5.1	35,429,629	87.8	40,344,008	6,172,435	15.3	7,287,359	18.1	14,105,960	34.9	9,703,386	24.1	3,074,868	7.6	
2,675,000	6.4	220,882	0.5	1,560,678	3.3	37,577,981	89.8	41,834,541	6,458,137	15.4	5,600,269	13.4	14,454,651	34.6	12,878,342	30.8	4,443,141	5.8	
2,675,000	6.2	267,428	0.6	1,526,531	3.5	38,564,411	89.7	43,033,390	6,455,589	15.0	6,026,683	14.0	16,442,422	38.2	11,504,635	26.8	2,594,061	6.0	
2,775,000	6.4	204,471	0.5	1,996,530	4.6	38,335,188	88.5	43,331,319	7,086,888	16.4	5,887,068	13.6	15,739,138	36.3	11,561,672	26.7	3,036,422	7.0	
2,775,000	5.9	237,313	0.5	2,315,907	4.9	41,631,303	88.7	46,959,523	8,198,049	17.5	7,085,196	15.1	16,742,673	35.6	11,597,383	24.7	3,356,222	7.1	
2,775,000	5.0	265,611	0.5	2,212,753	3.9	50,864,914	90.8	56,118,278	10,606,895	18.9	7,556,268	13.5	19,657,549	35.0	14,928,255	26.6	3,369,311	6.0	
2,875,000	4.3	144,000	0.2	1,788,144	2.7	62,314,800	92.6	67,121,944	11,263,672	16.8	6,080,900	9.0	26,817,228	40.0	20,060,812	29.9	2,899,332	4.3	
2,875,000	3.8	185,870	0.2	2,558,080	3.4	70,405,483	92.6	76,624,433	12,535,592	16.5	5,807,260	7.7	30,968,688	40.7	23,028,812	30.3	3,624,021	4.8	
2,875,000	3.8			2,788,623	3.7	70,185,308	92.5	75,848,931	12,327,230	16.4	5,747,720	7.5	28,988,142	38.2	25,077,134	33.0	3,708,705	4.9	

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) From 1940 includes Treasury deposit receipts.

YORKSHIRE PENNY BANK, LIMITED

LIABILITIES				ASSETS					
December 31	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	British Govt. Treasury Bills	Loans to Local Authorities	Loans on Security and other Accounts	Premises
	£	£	£	£	£	£	£	£	£
1938	2,500,000	39,251,804	500,000	8,089,656	29,998,293	...	...	3,113,855	560,000
1939	2,500,000	38,745,860	500,000	7,466,921	29,711,339	500,000	...	3,017,598	560,000
1940	2,500,000	39,051,646	500,000	7,030,226	31,057,526	...	...	2,913,894	560,000
1941	2,500,000	44,968,982	500,000	9,306,291	35,039,509	...	...	2,573,182	560,000
1942	2,500,000	51,399,222	500,000	11,839,661	37,293,647	1,900,000	...	2,313,913	560,000

ERLANGERS' LIMITED

December 31	LIABILITIES				ASSETS						Liabilities of Customers for Acceptances received on Account
	Capital and Reserves	Current, Deposit and other Accounts, etc.	Current Accounts of Sub-sidiary Companies	Acceptances on Account of Customers	Cash in Hand and at Bank	Cash at Call and Short Notice	British Govt. Treasury Bills	British Govt. Securities	Dominion and Col. Govt. and British Corp. Stocks and Bonds	Other Investments	
1938	1,925,000	4,967,394	8,611	4,448,957	467,690	891,000	524,145	310,980	154,105	598,936	4,362,766
1939	1,925,000	2,164,597	9,717	2,475,404	295,343	710,000	394,144	251,875	...	328,664	2,401,922
1940	1,925,000	1,416,918	10,200	2,231,007	408,055	490,000	391,242	100,000	...	330,543	2,222,734
1941	1,925,000	1,960,332	10,726	2,743,384	297,926	510,000	638,866	224,750	...	314,375	2,657,282
1942	1,925,000	1,533,739	10,406	3,155,752	119,006	620,000	778,511	238,875	...	326,383	3,149,462

* Including Bills Receivable £225,689.

PRIVATE BANKS OF ENGLAND AND WALES

B. W. BLYDENSTEIN AND COMPANY, LONDON

LIABILITIES																ASSETS															
Year Ended September 30	Partners' Capital and Reserves	Per Cent.	Miscel- laneous	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash and Money at Call	Per Cent.	Invest- ments	Per Cent.	Advances, Loans, Bills, etc.*	Per Cent.	Premises, etc.	Per Cent.																
	£		£		£		£	£		£		£		£																	
1932**	100,000	3.8	12,631	0.5	2,506,176	95.7	2,618,807	186,937	7.1	308,837	11.8	2,095,778	80.1	27,255	1.0																
1933*	100,000	3.4	14,457	0.5	2,839,286	96.1	2,953,743	242,194	8.2	578,854	19.6	2,106,388	71.3	26,507	0.9																
1934	100,000	3.7	3,296	0.1	2,560,927	96.2	2,664,223	1,370,559	51.4	553,642	20.8	713,441	26.8	26,581	1.0																
1935	100,000	3.2	5,173	0.2	3,053,209	96.6	3,158,382	1,926,350	61.0	397,069	12.6	809,034	25.6	25,529	0.8																
1936	100,000	2.7	3,020	0.1	2,596,391	96.8	2,698,098	2,133,759	58.2	475,368	13.0	1,025,459	28.0	24,512	0.9																
1937	100,000	3.7	2,463	0.1	3,557,078	97.2	2,698,854	189,643	7.0	298,132	11.1	1,186,205	61.1	24,874	0.9																
1938	100,000	3.2	2,601	0.1	2,996,391	96.8	3,215,804	385,643	11.9	832,567	25.9	1,976,421	61.4	24,252	0.8																
1939	100,000	2.6	8,898	0.2	3,113,795	97.2	3,813,389	317,121	8.3	806,382	21.1	2,603,494	67.9	25,174	0.7																
1940	100,000	1.9	7,758	0.2	3,708,493	98.0	3,813,389	664,733	17.4	422,741	8.1	4,139,045	78.8	25,739	0.5																
1941	100,000	1.5	6,652	0.2	5,144,501	98.4	5,252,259	2,034,535	30.7	949,753	14.3	3,623,494	54.6	24,591	0.5																
1942	100,000	1.0		0.1	6,526,128	98.0	6,532,780	2,691,773	28.0	739,775	7.7	6,159,410	60.0	24,027	0.3																
					9,514,985	99.0	9,614,985																								

Subscribed capital of £1,000,000.

* Includes Treasury Bills.

BANK OF IRELAND

Year ended Dec. 31	Number of Branches	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Balance of Profit and Loss	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Prem- ises	Per Cent.	
1932	100	5,949,231	11.6	259,203	0.5	1,868,413	3.7	43,368,001	84.3	51,444,848	2,039,561	4.0	4,475,638	8.7	29,080,968	56.6	15,157,965	29.4	692,716	1.3		
1933	104	5,949,231	13.2	258,150	0.6	1,857,639	4.1	37,041,955	82.1	45,106,975	2,064,495	4.6	3,114,287	6.9	25,052,736	55.5	14,176,750	31.4	698,707	1.4		
1934	104	5,949,231	13.2	260,219	0.6	1,870,433	4.2	36,399,126	81.8	44,479,009	2,118,994	4.7	3,136,027	7.1	24,159,445	54.4	14,389,461	32.3	676,082	1.4		
1935	104	5,949,231	13.3	247,756	0.5	1,949,608	4.4	36,983,853	81.9	45,160,768	2,531,949	5.6	2,837,133	6.4	24,339,968	54.9	14,273,783	31.7	642,197	1.4		
1936	104	5,949,231	13.2	261,932	0.6	1,965,762	4.3	36,018,481	81.9	44,605,792	2,586,918	5.8	2,837,133	6.4	24,339,968	54.9	14,273,783	31.7	642,197	1.4		
1937	104	5,949,231	13.2	287,950	0.6	2,039,782	4.6	36,018,481	81.9	44,295,444	3,004,147	6.8	2,559,633	5.8	23,699,977	53.5	14,391,747	32.5	633,940	1.4		
1938	104	5,949,231	13.8	303,040	0.7	2,096,760	4.9	34,757,885	80.6	44,295,444	3,004,147	6.8	2,559,633	5.8	23,699,977	53.5	14,391,747	32.5	633,940	1.4		
1939	100	5,949,231	13.0	287,307	0.6	2,432,538	5.3	37,152,375	81.1	45,821,451	3,125,119	7.2	3,454,650	8.0	21,071,530	48.9	14,828,100	34.4	627,457	1.4		
1940	98	5,949,231	11.4	278,300	0.5	3,356,925	6.4	42,655,441	81.7	52,239,897	2,874,568	6.2	4,529,226	9.9	22,625,461	49.4	15,237,799	33.2	608,392	1.3		
1941	98	5,949,231	9.9	271,614	0.4	4,579,155	7.6	49,581,763	82.1	60,381,763	2,463,214	4.1	3,999,648	15.9	31,861,897	52.8	15,858,976	26.2	598,028	1.0		
1942	98	5,949,231	9.9	278,542	0.5	5,360,162	8.9	48,622,093	80.7	60,210,028	2,480,608	4.1	8,943,615	11.9	31,219,965	51.8	16,975,079	28.2	590,761	1.0		

* Includes acceptances.

THE HIBERNIAN BANK, LIMITED

Year Ended June 30	Number of Branches	LIABILITIES										ASSETS									
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Notes in Circu- lation	Per Cent.	Rebate	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Per Cent.	Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Dis- count- Loans and Advances	Per Cent.	Build and Sundries	Per Cent.
1933	58	1,140,000	8.5	63,660	0.5	506,471	3.8	6,621	0.0	11,829,564	87.2	13,546,315	1,197,157	9.0	6,233,283	45.9	5,910,672	43.6	205,203	1.5	
1934	58	1,160,000	9.1	62,811	0.5	507,469	4.0	5,858	0.0	11,073,551	86.4	12,809,789	987,177	7.6	5,535,868	43.3	6,087,708	47.5	99,036	1.6	
1935	58	1,180,000	9.4	58,189	0.5	509,412	4.0	5,212	0.0	10,773,322	86.1	12,626,135	1,219,456	9.6	5,270,889	41.7	5,942,207	47.2	193,583	1.5	
1936	58	1,200,000	9.6	53,417	0.4	506,602	4.0	5,119	0.0	10,747,835	86.0	12,512,973	989,284	7.9	5,302,136	42.2	6,038,715	48.3	182,778	1.4	
1937	58	1,210,000	9.6	59,882	0.5	498,925	4.0	5,101	0.0	10,800,341	85.9	12,574,252	881,911	7.0	5,309,484	42.2	6,206,484	49.4	176,370	1.4	
1938	58	1,230,000	10.3	57,455	0.5	501,868	4.2	4,792	0.0	10,147,430	85.0	11,941,545	1,054,510	8.8	4,574,383	38.3	6,140,694	51.5	171,958	1.4	
1939	56	1,240,000	10.1	56,129	0.5	504,318	4.1	4,716	0.0	10,486,897	85.3	12,292,060	1,085,135	8.8	4,910,902	40.0	6,129,594	49.8	166,404	1.4	
1939	56	1,240,000	9.9	62,232	0.5	498,937	4.0	4,415	0.0	10,690,309	85.6	12,292,060	1,085,135	8.8	4,910,902	40.0	6,129,594	49.8	166,404	1.4	
1940	56	1,240,000	9.8	60,108	0.5	503,549	4.0	3,646	0.0	10,816,788	85.9	12,624,091	1,166,060	9.3	5,031,488	40.3	6,111,541	48.9	166,404	1.4	
1941	56	1,240,000	9.1	57,551	0.4	519,104	3.7	4,184	0.0	11,877,848	86.8	13,694,593	1,934,891	14.2	4,702,424	37.2	5,952,561	47.2	178,022	1.4	
1942	56	1,250,000	8.3	52,831	0.4	523,002	3.5	3,884	0.0	13,276,927	87.8	15,102,760	2,302,433	15.2	6,012,868	43.9	5,600,978	41.0	145,766	1.1	

† December 31.

MUNSTER AND LEINSTER BANK, LIMITED

Year Ended June 30	Number of Branches	LIABILITIES										ASSETS									
		Capital and Reserves		Un- divided Profits		Deposit and Current Accounts, Rebate, etc.		Total Liabilities or Assets	Cash in Hand and with Bankers		Cash at Call and Short Notice		Investments		Bills Receiv- able		Advances		Premises		
		Per Cent.		Per Cent.		Per Cent.			Per Cent.		Per Cent.		Per Cent.		Per Cent.		Per Cent.		Per Cent.		
1933	205	1,750,000	6.1	88,652	0.3	126,841,578	93.6	28,680,230	1,110,596	3.9	2,000,000	7.0	13,237,042	46.2	1,188,134	4.1	10,774,862	37.5	369,596	1.3	
1934	205	1,750,000	6.5	89,703	0.3	125,367,075	93.2	27,204,378	1,137,418	4.2	1,300,000	4.8	12,387,818	45.9	1,187,782	4.1	10,774,862	37.5	369,609	1.3	
1935	206	1,750,000	6.5	88,494	0.3	124,967,059	93.2	26,805,553	1,411,454	5.2	1,500,000	5.6	11,775,297	44.0	1,059,949	3.9	10,674,189	39.9	384,664	1.4	
1936	207	1,750,000	6.5	88,257	0.3	124,867,712	93.2	26,705,969	1,163,675	4.4	1,500,000	5.6	12,492,489	46.8	1,003,639	3.8	10,158,506	38.0	387,260	1.4	
1937	215	1,750,000	6.5	88,655	0.3	125,075,971	93.2	26,914,626	1,158,155	4.3	1,100,000	4.1	12,910,430	48.0	969,964	3.6	10,389,859	38.6	386,218	1.4	
1938	214	1,750,000	6.8	90,218	0.3	124,947,143	92.9	25,787,361	1,255,761	4.9	1,000,000	3.7	12,910,430	48.0	969,964	3.6	10,389,859	38.6	386,218	1.4	
1939	209	1,750,000	6.4	83,145	0.3	125,421,628	93.3	27,254,773	1,423,010	5.3	1,000,000	3.7	12,007,991	46.6	936,829	3.6	10,402,869	40.3	383,511	1.5	
1940	205	1,750,000	6.2	77,570	0.3	126,592,341	93.5	28,419,911	2,101,444	7.7	1,000,000	3.7	11,994,906	44.0	891,508	3.3	10,684,678	39.9	379,307	1.4	
1941	205	1,750,000	5.7	70,608	0.2	128,983,930	94.1	30,804,238	3,173,161	10.3	1,000,000	2.9	14,459,474	47.0	779,372	2.7	11,325,403	39.9	382,400	1.2	
1942	206	1,750,000	4.7	76,256	0.2	125,125,999	93.1	36,952,256	3,537,807	9.6	1,900,000	2.9	18,740,634	57.0	615,558	1.7	11,676,919	32.1	381,737	1.1	

† December 31st.

† Includes note circulation.

THE NATIONAL BANK, LIMITED

Year-ended June 30	Number of Offices	LIABILITIES										ASSETS												
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.	Un- divided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings & Sundries, including Cost for Acceptances	Per Cent.	
1933.	275	2,540,000	5.9	1,280,151	3.0	52,819	0.1	141,338	0.3	39,038,076	90.7	43,052,384	4,194,262	9.7	3,153,683	7.3	18,439,543	42.9	16,437,299	38.2			827,597	1.9
1934.	273	2,560,000	6.0	1,297,922	3.1	126,562	0.3	145,355	0.3	38,351,912	90.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9	17,259,164	40.6			888,107	2.0
1935.	272	2,580,000	6.2	1,314,030	3.1	128,008	0.2	145,757	0.3	37,820,256	90.1	41,932,851	4,658,014	11.3	3,444,381	8.1	16,118,796	39.9	17,259,164	40.6			888,107	2.0
1936.	272	2,600,000	6.2	1,318,533	3.1	128,008	0.2	147,083	0.3	37,716,060	90.1	41,861,421	4,658,014	11.3	3,444,381	8.1	16,118,796	39.9	17,259,164	40.6			888,107	2.0
1937.	274	2,620,000	6.2	1,333,810	3.2	127,411	0.1	147,083	0.3	37,716,060	90.1	41,861,421	4,658,014	11.3	3,444,381	8.1	16,118,796	39.9	17,259,164	40.6			888,107	2.0
1938.	274	2,640,000	6.3	1,333,410	3.2	127,411	0.1	147,083	0.3	37,716,060	90.1	41,861,421	4,658,014	11.3	3,444,381	8.1	16,118,796	39.9	17,259,164	40.6			888,107	2.0
1939.	274	2,660,000	6.1	1,363,200	3.4	127,411	0.1	150,609	0.3	37,054,015	89.5	42,489,025	4,218,080	9.9	3,444,381	8.1	16,118,796	39.9	17,259,164	40.6			888,107	2.0
1940.	270	2,660,000	6.1	1,350,064	3.3	127,411	0.1	150,609	0.3	37,054,015	89.5	42,489,025	4,218,080	9.9	3,444,381	8.1	16,118,796	39.9	17,259,164	40.6			888,107	2.0
1941.	267	2,660,000	6.1	1,352,410	3.3	125,443	0.3	142,890	0.3	36,990,944	89.8	41,768,653	4,591,893	11.3	3,003,611	7.2	14,541,691	33.9	17,740,529	45.7			849,919	2.0
1942.	264	2,670,000	6.1	1,436,067	3.3	125,443	0.3	142,890	0.3	36,990,944	89.8	41,768,653	4,591,893	11.3	3,003,611	7.2	14,541,691	33.9	17,740,529	45.7			849,919	2.0
1942.	264	2,670,000	5.8	1,519,193	3.1	93,468	0.2	41,789	0.1	14,455,262	91.1	43,820,127	3,466,862	12.3	2,734,763	6.3	18,541,367	37.1	17,740,529	45.7			700,639	1.6
												47,719,712	6,024,733	12.6	41,541,421	13.1	21,825,020	38.1	17,740,529	45.7			618,180	1.4

* From 1940 includes Treasury

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

AFRICAN BANKS

1 Name of Bank	2 Date	3 No. of Branches and Sub-branches	4 Capital Subscribed	5 Uncalled Capital		6 Capital Paid-up	7 Reserve Fund	8 Un-divided Profits	9 Notes in Circulation
				Callible	Reserved				
			£	£	£	£	£	£	£
Bank of Br. West Africa, Ltd.	Mar. 31, '43	29	3,000,000	300,000	1,500,000	1,200,000	400,000	86,534	...
Barclays Bank (Dominion, Colonial and Overseas)	Mar. 31, '43	500	6,975,500	2,000,000	3,024,500	4,975,500	3,100,000	...	1,159,282
Standard Bk. of S. Africa, Ltd.	Mar. 31, '43	390	10,000,000	7,500,000	Nil	2,500,000	3,000,000	548,835	384,837
Total		919	19,975,500	9,800,000	4,524,500	8,675,500	6,500,000	635,369	1,544,119

AUSTRALASIAN BANKS

Commonwealth Bank of Australia	June 30, '42	335	20,000,000	...	...	4,000,000	3,447,167	...	...
Bank of Adelaide	Sep. 30, '42	103	1,250,000	Nil	1,250,000	1,250,000	1,000,000	63,442	6,499
Bank of Australasia	Oct. 12, '42	209	4,500,000	Nil	4,500,000	4,500,000	4,500,000	322,608	2,697
Bank of New South Wales	Sep. 30, '42	719	8,780,000	Nil	8,780,000	8,780,000	6,150,000	382,250	81,111
Bank of New Zealand	Mar. 31, '42	230	6,328,125	Nil	Nil	6,328,125	3,575,000	588,036	627
Commercial Bank of Australia, Ltd.	June 30, '42	423	4,117,350	Nil	Nil	4,117,350	2,250,000	223,255	6,182
Commercial Banking Co. of Sydney, Ltd.	June 30, '42	364	9,478,025	Nil	4,739,013	4,739,012	4,300,000	296,878	13,550
English, Scottish & Australian Bank, Ltd.	June 30, '42	300†	5,000,000	2,000,000	Nil	4,868,009	3,355,000	357,701	1,008
National Bank of Australasia, Ltd.	Sep. 30, '42	355	6,800,000	1,800,000	Nil	5,000,000	3,300,000	265,626	47,516
National Bank of New Zealand, Ltd.	Mar. 31, '43	61	6,000,000	4,000,000	6,000,000	2,000,000	1,500,000	151,324	...
Queensland National Bank, Ltd.	June 30, '43	88	1,750,000	Nil	Nil	4,732,627*	860,000	62,100	...
Union Bank of Australia, Ltd. Total (excluding Commonwealth Bank of Australia)	Aug. 31, '42	210	12,000,000	Nil	8,000,000	4,000,000	4,850,000	260,257	7,530
		3,397	66,003,500	7,800,000	33,269,013	50,315,123	35,640,000	2,973,477	166,720

* Includes £2,982,627 Interminable Inscribed deposit stock.

† Approximately.

CANADIAN BANKS

Bank of Montreal	Oct. 31, '42	480	7,200,000	Nil	3,960,000	7,200,000	7,800,000	358,603	3,070,981
Bank of Nova Scotia	Dec. 31, '42	277	2,400,000	Nil	1,800,000	2,400,000	4,800,000	317,772	1,006,643
Canadian Bank of Commerce . .	Oct. 31, '42	539	6,000,000	Nil	4,500,000	6,000,000	4,000,000	270,985	2,835,383
Dominion Bank	Oct. 31, '42	125	1,400,000	Nil	1,120,000	1,400,000	1,400,000	201,471	703,950
Royal Bank of Canada	Nov. 30, '42	617	7,000,000	Nil	5,250,000	7,000,000	4,000,000	768,612	3,654,256
Total		2,038	24,000,000	Nil	16,630,000	24,000,000	22,000,000	1,917,443	11,271,213

(Converted at rate of \$5 to £1.)

INDIAN BANKS

Chartered Bank of India, Australia and China	Dec. 31, '42	15	3,000,000	Nil	3,000,000	3,000,000	3,000,000	482,132	1,657,743
Eastern Bank, Ltd.	Dec. 31, '42	11	2,000,000	Nil	1,000,000	1,000,000	500,000	160,611	...
Mercantile Bk. of India, Ltd. } Do. "B" Shares } Do. "C" Shares }	Dec. 31, '42	12	750,000 750,000 1,500,000	187,500 187,500 Nil	187,500 187,500 Nil	1,050,000	1,075,000	214,684	244,566
National Bank of India, Ltd. . .	Dec. 31, '42	27	4,000,000	2,000,000	Nil	2,000,000	2,200,000	583,412	...
Total		65	12,000,000	2,375,000	4,375,000	7,050,000	6,775,000	1,440,839	1,902,309

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

AFRICAN BANKS

9 Acceptances and Bills for Collection	10 Miscellaneous Liabilities	11 Deposits	12 Total Liabilities and Assets	13 Cash in Hand and Money at Call and Short Notice		14 Investments	15 Bills Discounted or Purchased (when shown separately)	16 Bills, Loans, and Advances	17 Premises and Sundries (including Cover for Acceptances)	18 Name of Bank
				Cash in Hand, with Banks and in Transit	Money at Call and Short Notice					
£	£	£	£	£	£	£	£	£	£	
477,623	100,230	14,056,532	16,320,919	3,002,735	1,750,000	8,223,586	689,713	1,983,482	671,403	Bank of British W. Africa.
13,428,215	...	222,311,054	244,974,051	74,582,239	1,550,000	76,727,652	45,933,926	29,766,878	16,413,356	Barclays Bk. (Dom., Col. & Overseas).
10,480,654	...	136,357,457	153,271,783	56,434,665	2,900,000	50,427,120	3,031,043	29,120,713	11,358,242	Standard Bank of S.A., Ltd.
24,386,492	100,230	372,725,043	414,566,753	134,019,639	6,200,000	135,378,358	49,654,682	60,871,073	28,443,001	Total.

AUSTRALASIAN BANKS

AUSTRALASIAN BANKS

				Cash & Notes in Hand and at Bankers	Money at Call and Remittances in Transit					
1,593,058	17,315,347	166,835,416	193,190,988	8,883,977	33,773,942	102,851,455	...	45,445,572	2,236,042	Commonwealth
...	95,896	8,897,233	11,313,070	2,627,143	997,398	2,127,462	...	4,926,723	634,344	Bank of Australia.
6,746,365	...	51,776,988	67,848,658	14,198,613	...	17,488,969	...	34,909,504	1,251,572	Bank of Adelaide.
...	5,732,636	143,729,693	164,855,690	20,701,501	1,000,000	44,236,261	...	88,866,399	10,051,529	Bk. of Australasia.
60,536	6,230,729	42,534,133	59,317,186	10,030,174	2,786,976	21,154,523	901,084	22,827,135	1,617,294	Bk. of N.S. Wales.
...	35,153	42,918,555	49,550,495	5,010,624	2,527,495	14,419,496	...	26,276,060	1,316,820	Bk. of N. Zealand.
...	263,387	61,052,978	70,665,805	5,431,716	2,066,379	22,104,721	...	39,317,219	1,745,770	Commercial Bank
...	329,835	47,469,944	56,381,497	8,823,777	...	18,745,110	...	28,006,981	805,629	of Australia.
...	612,605	55,742,796	64,968,543	9,470,951	...	16,806,111	...	37,023,213	1,668,268	Comm. Bank. Co.
...	1,075,788	20,069,098	24,796,210	5,268,711	487,958	8,048,816	...	10,374,282	616,443	of Sydney.
...	9,850	13,855,525	19,520,102	2,069,418	93,343	6,360,569	...	10,312,880	683,892	English, Scottish &
...	8,571	52,802,356	65,873,007	7,751,293	1,299,263	20,237,788	...	31,958,325	4,626,338	Australian Bank.
3,944,293	...	...	...	...	...	...	...	...	...	National Bank of
10,751,194	14,394,450	540,849,299	655,090,263	91,383,921	11,258,812	191,729,826	901,084	334,798,721	25,017,899	Australasia.
										National Bank of
										New Zealand.
										Queensland Nat.
										Bank.
										Union Bank of
										Australia, Ltd.
										Total (excluding
										Commonwealth
										Bk. of Australia).

CANADIAN BANKS

3,236,999	468,175	212,929,088	235,063,846	39,315,655	3,242,051	136,829,340	...	48,984,786	6,692,014	Bank of Montreal.
4,248,923	199,762	69,120,311	82,093,411	17,820,545	907,767	32,104,280	...	25,355,489	5,905,330	Bk. of Nova Scotia.
...	...	158,511,916	177,332,109	29,593,246	5,116,902	83,390,512	...	49,308,720	9,922,729	Canadian Bank of Commerce.
5,713,825	155,353	37,675,915	42,488,688	7,958,285	663,529	17,470,333	...	14,348,799	2,047,742	Dominion Bank.
951,999	...	...	...	52,376,895	5,958,213	122,952,940	...	66,890,864	10,144,277	Royal Bk. Canada.
6,231,286	425,596	236,243,439	258,323,189	147,064,626	15,888,462	392,747,405	...	204,888,658	34,712,092	Total.
20,383,032	1,248,886	714,480,669	795,301,243	...	...	...	...	...	...	

(Converted at rate of \$5 to £1.)

INDIAN BANKS

1,306,419	935,749	75,593,151	85,975,194	12,813,557	...	36,813,840	3,981,040	19,196,542	13,170,215	Chartered Bank of India, Australia and China.
368,892	37,759	18,158,589	20,225,851	4,801,289	...	11,195,599	2,040,137	1,549,232	639,594	Eastern Bank, Ltd.
...	...	...	...	...	...	...	...	...	...	Mercantile Bank of India, Ltd.
611,888	43,579	25,078,653	28,318,370	8,064,218	...	13,216,545	1,996,488	3,580,609	1,460,510	Do. "B" Shares.
...	...	...	...	...	...	...	...	...	...	Do. "C" Shares.
1,065,524	...	48,513,673	54,362,609	17,281,985	...	19,655,536	10,452,442	6,190,349	782,297	Nat. Bank of India.
3,352,723	1,017,087	167,344,066	188,882,024	42,961,049	...	80,881,520	18,470,107	30,516,732	16,052,616	Total.

DOMINION BANKING STATISTICS

CANADA
BANK OF CANADA (\$ millions)

Average of Weekly Figures	Chartered Bank Cash	Active Note Circulation	Reserve			Total Securities	Total Liabilities or Assets
			Gold	Foreign Currency	Notes		
1937	241.2	99.6	182.0	20.4	203.8	162.2	372.2
1938	255.6	105.9	181.0	28.7	210.5	181.2	391.0
1939	270.1	122.9	209.6	43.2	252.7	185.7	445.7
1940	291.6	151.5	255.3	36.5	311.0	235.0	546.2
1941	317.8	201.2	318.8	38.8	395.1	295.1	698.1
1942	348.8	299.4	431.1	43.4	515.9	381.9	901.6
March	318.6	216.6	404.1	0.4	495.4	381.9	877.3
Sept.	347.6	295.6	409.9	0.9	516.7	381.9	901.6
Dec.	381.7	353.2	405.0	0.9	516.7	381.9	901.6
Year '42	346.6	244.7	422.6	122.4	752.4	501.4	1,001.4
1943	372.8	288.9	404.1	0.4	515.9	381.9	901.6
June	434.8	420.4	422.6	122.4	752.4	501.4	1,001.4

In May, 1940, under the Foreign Exchange Acquisition Order, the Bank's gold and most of its foreign exchange holdings were added to the Foreign Exchange Control Board in return for Government securities.

CHARTERED BANKS (\$ millions)

	Deposits	Cash	% of Deposits	Demand Deposits	% of Demand Deposits	Current Liabilities to Public	Total Liabilities	% of Total Liabilities
1929*	2,837	212	7.5	512	12.1	1,343	2,211	50.6
1935*	2,476	216	8.7	461	11.8	1,255	2,211	50.6
1939*	3,144	258	8.2	1,234	29.7	1,343	2,211	50.6
1940*	3,250	271	8.3	1,311	40.3	969	1,311	40.3
1941*	3,527	308	8.7	1,385	42.0	1,091	1,385	42.0
1942*	3,995	346	8.7	1,804	45.3	1,055	1,385	42.0
End of 1942	3,843	341	8.9	1,644	42.8	1,213	1,385	42.0
March	3,694	326	8.8	1,626	41.0	1,019	1,385	42.0
June	4,075	359	8.8	2,058	50.5	978	1,385	42.0
Dec.	4,287	381	8.9	2,014	46.5	1,190	1,385	42.0
1943	4,443	370	8.3	2,372	53.4	936	1,385	42.0
March	4,764	415	8.7	2,371	49.8	1,113	1,427	29.0

* Average of month-end figures. † Excluding non-current loans and mortgages.

SOUTH AFRICA
RESERVE BANK (£000)

March 31st	Notes in Circulation	Deposits			Reserve	Foreign Bills Discounted
		Banks	Govt.	Other		
1935	13,156	25,734	7,994	2,598	28,263	6,531
1936	14,627	27,089	5,655	2,565	29,398	5,203
1937	16,398	22,881	4,830	3,540	28,346	5,592
1938	17,396	17,573	1,577	2,720	23,513	5,852
1939	18,577	18,817	6,438	2,717	25,813	5,852
1940	20,416	25,153	10,506	3,464	32,980	7,592
1941	24,574	44,520	17,861	5,088	48,189	8,236
1942	30,738	50,177	16,178	6,027	48,154	6,043
1943	41,432	90,728	14,343	5,661	65,980	9,241

FOREIGN BANKS WITH LONDON OFFICES AND BRITISH BANKS
TRADING ABROAD

ANGLO-PALESTINE BANK, LIMITED

December 31	Capital and Reserves	Bills Payable	Current Deposit and other Accounts	Guarantees, Endorsements and other Engagements	Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments*	Advances, etc.	Premises
1938	1,079,497	454,964	7,269,524	487,629	924,534	271,150	505,819	3,480,832	3,415,193	202,458
1939	1,079,497	295,673	6,192,575	619,252	924,534	271,150	463,170	3,175,438	3,415,193	219,761
1940	1,079,497	386,138	7,184,112	750,904	2,845,688	387,272	450,274	1,118,276	3,613,503	234,732
1941	1,079,498	318,671	9,111,574	1,786,489	2,900,025	647,670	469,653	2,612,967	3,648,376	231,052
1942	1,079,498	...	14,107,833	810,812	6,145,924	400,387	426,753	4,895,412	3,144,023	173,832

* Including investments in subsidiaries.

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

January 31	Capital and Reserves	Current Deposit and other Accounts	Acceptances and Confirmed Credits	Cash at Bankers, in Hand and at Call	Balances with Banks abroad	Bills Discounted	British Government Treasury Bills	Investments	Advances, etc.	Customers' Liability on Acceptances
1939	1,050,000	1,897,471	786,374	814,138	104,595	1,028,467	...	469,796	500,983	786,374
1940	1,050,000	1,238,016	645,920	521,906	55,881	674,443	...	624,486	500,983	645,920
1941	1,050,000	1,620,548	524,181	1,070,932	29,892	188,977	730,000	219,960	778,295,100	524,181
1942	1,050,000	2,352,861	286,049	1,265,542	14,979	64,916	1,045,000	699,525	914,569,553	286,049
1943	1,050,000	1,905,761	401,155	849,690	3,984	120,315	835,000	1,006,631	141,850	401,155

* Including British Government Treasury Bills.

BANK OF AMERICA
N.Y. & S.A.

December 31	Capital, surplus and Profit and Reserve	Liabilities for Letters of Credit, Acceptances, etc.	Deposit	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.
1938	116,850,502	20,863,817	1,437,027,491	280,169,299	554,932,428	2,700,000	673,828,309	35,531,684
1939	118,455,365	18,815,872	1,482,791,676	284,265,914	601,478,671	2,700,000	711,054,697	31,530,765
1940	156,517,691	16,605,640	1,632,228,397	308,355,705	664,956,236	3,720,000	778,295,100	32,089,972
1941	160,578,646	14,211,905	1,908,383,921	429,065,787	683,393,909	3,720,000	914,569,553	31,957,940
1942	160,578,646	16,812,502	2,586,140,699	605,041,585	1,262,029,443	3,720,000	848,205,671	30,956,356

BANK OF LONDON & SOUTH AMERICA, LIMITED

September 30	Capital and Reserves	Current Deposit and other Accounts, and Contingency Reserve	Bills Payable	Acceptances on behalf of Customers	Bills for Collection on account of Customers	Cash in Hand, at Bankers, and at Call	Bills Receivable	Advances, Securities, etc.	Premises
1938	6,040,000	56,286,068	1,123,305	2,586,608	9,559,592	14,865,394	9,418,322	37,163,381	2,667,721
1939	6,040,000	60,494,660	1,566,955	2,364,256	9,921,850	21,445,637	10,883,812	33,618,472	2,834,505
1940	6,040,000	55,403,249	1,658,874	1,821,686	12,062,624	22,488,954	10,845,923	27,639,288	2,859,594
1941	6,040,000	60,468,492	1,030,045	1,898,252	11,441,915	24,218,580	10,966,977	30,336,729	2,820,277
1942	6,040,000	71,916,353	901,905	2,175,163	11,022,025	26,501,477	13,757,578	37,207,245	2,450,486

BANKERS' TRUST COMPANY, NEW YORK

December 31	Capital and Surplus Fund	Un-divided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Banks	U.S. Govt. Securities	Time and Demand Loans and Discounts	Securities and Investments	Customers' Liability on Acceptances	Premises
1938	75,000,000	29,464,116	5,000,000	890,465,428	21,833,118	3,708,408	331,521,905	381,891,763	216,953,410	62,367,499	3,429,746	21,249,913
1939	75,000,000	31,047,727	5,000,000	1,116,275,604	9,134,454	5,272,942	406,561,197	498,411,147	229,566,520	80,700,313	4,549,810	20,955,407
1940	75,000,000	33,413,246	...	1,416,024,588	44,533,971	2,347,293	613,287,942	588,895,553	255,161,767	94,001,568	2,050,790	16,802,093
1941	75,000,000	36,203,468	...	1,375,481,862	1,426,045	454,167,611	585,614,943	318,846,790	11,985,623	1,414,258	16,483,848	16,165,604
1942	75,000,000	40,171,789	...	1,504,657,609	889,422	484,927,527	711,606,352	336,522,340	70,866,286	989,422	...	...

BRITISH OVERSEAS BANK, LIMITED

October 31	Capital and Reserves	Current Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Premises
1938	2,250,000	2,464,730	1,782,352	84,770	245,687	164,963	144,644	420,391	693,714	2,608,433	125,141	337,346
1939	2,000,000	1,252,483	543,354	100,850	107,862	...	...	399,435	131,350	3,330,088	127,172	337,346
1940	2,000,000	994,360	246,000	32,503	1,570,000	...	...	400,000	67,350	3,056,000	113,000	...
1941	2,000,000	946,215	44,351	22,182	1,095,000	63,309	...	391,065	63,946	2,239,000	...	...
1942	2,000,000	884,279	33,101	23,855	815,000	38,826	...	372,000	52,600	2,337,000	...	...

* Customers' accounts in countries where extended credit is in force, 791,000; in German occupied territories, £2,055,000; in other countries, £91,000. There are also £750,000 of Special Deferred Deposits ranking after all other Deposits and Liabilities.

CENTRAL HANOVER BANK AND TRUST COMPANY

LIABILITIES											
December 31	Capital and Reserves, etc.	Undivided Profits and Dividend payable	Deposits	Acceptances	Cash and Due from Banks	U.S. Government Securities	Other Securities	Real Estate Mortgage	Stock in Federal Reserve Bank	Loans and Bills	Premises and other Assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1938	86,037,329	12,587,029	939,260,374	4,818,285	639,591,439	153,446,069	45,259,609	7,376,603	2,430,000	171,263,070	23,336,227
1939	85,241,578	13,795,640	1,106,736,120	6,034,749	627,536,800	333,761,612	50,946,499	7,064,670	2,430,000	165,748,815	24,319,692
1940	84,171,014	16,153,689	1,294,307,595	5,426,368	732,639,481	190,224,268	59,831,179	6,295,096	2,430,000	184,878,602	21,758,038
1941	84,479,895	18,580,409	1,326,577,459	2,190,663	465,995,659	628,730,617	81,589,883	6,488,222	2,430,000	227,288,808	19,305,236
	84,290,069	20,711,924	1,337,492,380	1,560,596	410,810,120	918,773,006	48,568,124	5,586,385	2,430,000	239,704,031	17,983,255
FEDERAL RESERVE BANK OF THE CITY OF NEW YORK											

